



Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

 Annual Report **2009**



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Ma Xuemian (*Chairman*)
Mr. Chen Mudong (*Chief Executive Officer*)
(re-designated from non-executive director to executive director and CEO on 1 March 2010)
Mr. Wong King Lam, Joseph
(appointed on 20 November 2009)
Ms. Chow Kwai Wa, Anne
(appointed on 5 February 2010)
Ms. Kwok Siu Wa, Alison
(appointed on 5 February 2010)

NON-EXECUTIVE DIRECTORS

Mr. Chu King Fai (re-designated from executive director to non-executive director on 12 October 2009)
Mr. Lim Francis (re-designated from executive director to non-executive director on 14 December 2009)
Mr. Zhao Yang (re-designated from executive director to non-executive director on 9 November 2009)
Mr. Kwok Siu Bun (appointed on 5 February 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Chi-ping Chow
Mr. Liu Chaodong (appointed on 25 August 2009)
Ms. Zhang Xiaoyan (appointed on 5 February 2010)

COMPANY SECRETARY

Mr. Cheung Yuk Chuen (appointed on 10 April 2010)

AUDIT COMMITTEE

Mr. David Chi-ping Chow
(appointed on 4 September 2009)
Mr. Liu Chaodong
Ms. Zhang Xiaoyan (appointed on 5 February 2010)

REMUNERATION COMMITTEE

Ms. Zhang Xiaoyan (appointed on 5 February 2010)
Mr. David Chi-ping Chow
Mr. Liu Chaodong

AUTHORIZED REPRESENTATIVES

Mr. Ma Xuemian
Mr. Cheung Yuk Chuen

REGISTERED OFFICE IN BERMUDA

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 02, 7/F.
Euro Trade Centre
21-23 Des Voeux Road Central
Central, Hong Kong

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
12/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PROPERTY VALUERS

BMI Appraisals Limited
Suites 06-12
33/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

<http://www.irasia.com/listco/hk/grandfield/>

Chairman's Statement

On behalf of the board of directors (the "Board") of the Company and its subsidiaries (the "Group"), I present the audited annual report of the Group for the year ended 31 December 2009 to the shareholders.

FINANCIAL RESULTS

For the year ended 31 December 2009, the Group's revenue decreased by 9.9% to approximately HK\$4,623,000. The decrease in revenue for the year ended 31 December 2009 was due to the lack of new properties for sale.

During the year, the Group reported a loss attributable to equity shareholders of the Company of approximately HK\$56,919,000, which was lower than last year's net loss of approximately HK\$91,655,000.

The loss of the Group for the year ended 31 December 2009 was mainly attributable to impairment losses on amount due from a related party, other receivables, deposits and prepayments and goodwill.

BUSINESS REVIEW

The uncertainty over the composition of the Board and the various legal actions initiated by one faction of the Board against the other created an overhang on the Company for much of 2009. This became a major barrier to normal business operations which, together with the dwindling inventory of sale-able flats, caused revenues for 2009 to decline.

However, subsequent to the High Court judgment handed down on 12 August 2009, the Board's composition began to gain clarity. This, coupled with the subsequent resignation of the then 3 independent non-executive directors and the re-election of board members by the shareholders at the Annual General Meeting in November 2009, the composition of the Board was finally settled (the "New Board") and is now largely composed of like minded members.

One of the first items that the New Board acted on was to initiate an independent investigation by an internationally recognized firm of accountants into the possible misuse of HK\$50 million of company funds that was remitted into the Company's PRC subsidiary in early 2008. We anticipate that a full report to be made available in the coming months. We will then make the necessary announcement to the public.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's cash and bank deposits were approximately HK\$808,000 (2008: HK\$9,392,000) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB") was 38% and 62% respectively (2008: 18.7% and 81.3%).

Chairman's Statement

The Group had total current assets of approximately HK\$30,109,000 (2008: HK\$68,952,000), and total current liabilities of approximately HK\$29,917,000 (2008: HK\$66,837,000). The Group recorded total assets of approximately HK\$313,951,000 (2008: HK\$408,887,000) and total bank loans and borrowings of approximately HK\$1,141,000 (2008: HK\$48,613,000). As at 31 December 2009, the Group's total interest-bearing borrowings amounted to approximately HK\$1,141,000 (2008: HK\$48,613,000), of which HK\$1,141,000 was repayable within 1 year (2008: HK\$48,613,000), nil was repayable from 1-2 years (2008: Nil) and nil was repayable from 2-5 years (2008: Nil).

As at 31 December 2009, the percentage of the Group's interest-bearing borrowings denominated in HKD and RMB was 0% and 100% (2008: 0% and 100%) respectively and such borrowings carried interest rates ranged from 5.52% to 5.70% (2008: 5.93% to 12.60%).

The gearing ratio for 31 December 2009, which was defined to be total interest-bearing borrowings over shareholders' equity, was 10% (2008: 17%).

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. There was no exchange rate appreciation of RMB against HKD in 2009, and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

CHARGE OF ASSETS

Pledged bank deposits as at 31 December 2009 of the Group amounted to approximately HK\$nil (2008: HK\$27,996,000), which were used as a security for the bank loans made available to the Group.

CAPITAL STRUCTURE

For the year ended 31 December 2009, the Company's issued share capital is HK\$50,336,200 and the number of its issued ordinary shares is 2,516,810,000 shares of HK\$0.02 each in issue.

Details of the movements in share capital of the Company are set out in note 30 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 17 October 2008, the Group entered into an agreement to acquire a 100% equity interest in Sharp Gain Limited, which holds a wholly owned subsidiary, 豐盛發貿易(深圳)有限公司, at a cash consideration of RMB1,030,000 (equivalent to HK\$1,170,000). The consideration was paid in 2008 (*note 23(g)*). The acquisition was completed on 16 July 2009. Sharp Gain Limited has a motor vehicle with registration licenses both in Hong Kong and Shenzhen.

Save as disclosed above, the Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2009.

Chairman's Statement

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 33 to the financial statements.

EMPLOYEES

As of the end of 2009, the Group employed 43 employees (2008: 50) and appointed 9 directors (2008:15). The total costs (staff salary & director emolument) for the year amounted to approximately HK\$8,419,000 (2008: HK\$20,834,000). The significant decrease of total costs for 2009 as no share options were granted during the year (2008: HK\$13,193,000). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

PROSPECT

Owing to the impact of international and domestic financial situation in the recent years, coupled with the imperfect management of the Group at its preliminary stage, the Group did not achieve great progress in its business. Since the beginning of 2009, the Board has undergone significant adjustments. Not only have the new members of the Board needed to deal with the numerous problems piling up in the past, they also need to endeavour to develop the property business in Mainland China. At the same time, the Group also need to pay close attention to the quality medium and small property projects in the second and third tier cities. We believe, with the works progressing along, the Group's management will shift its work focus to business expansion and corporate governance of the Company. At present, the development plan of land parcel Phase III at Defu, Buji, Shenzhen has become a priority investment project. With the smooth progress of such project, we believe it will bring considerable income to the Group and lead the Group to enter into a new development stage. With the continuous improvement in cash flow, the Group will also focus on the investment and development of medium and small property projects with development potential in the second and third tier cities in Mainland China, and expand those businesses like property management, materials supply, commercial property management during the course of development. The above expansion will lay a solid foundation for the Group's future development. The Group will make a fresh start by taking a steady and enduring approach going forward and will strive to deliver results to reward our investors for their trust and support.

APPRECIATION

On behalf of the Board, I would like to extend our wholehearted gratitude to the Group's employees for their dedication and efforts in servicing the Group, as well as to our shareholders and all business partners of the Group for their continued valuable supports.

Ma Xuemian

Chairman

Hong Kong, 29 April 2010

Profile of Directors

Executive Directors

Mr. MA Xuemian (“Mr. Ma”), aged 45, was elected as an Executive Director and Chairman on 2 December 2008 and 19 October 2009 respectively. Mr. Ma joined the Company since 1999 and has been responsible for the Company’s property sales and management in China since then. Mr. Ma has more than 10 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of construction team in The Guangzhou Construction Company Limited, a subsidiary of The 3rd Guangdong Water and Electricity Bureau Guangdong. He joined Ka Fong Industrial Company Limited in 1992, which later became a subsidiary of the Company. Since then, he has been management role in various capacities including applying for government approval for development plan, construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the logistic of title deed application and property management in various projects in China. Since 2001, he is the General Manager of the Company’s operation in Dongguan. Mr. Ma is also a director of Grand Field Group Holding (BVI) Limited, Grand Field Group Investment (BVI) Limited, Metro China Investment Limited, China Max Group Limited, China Maxline Limited, Grand Field Group Limited, Grand Field New Energy Company Limited, Ka Fong Industrial Company Limited, Kwan Cheung Holdings Limited and Shing Fat Hong Limited, all being subsidiaries of the Company. Mr. Ma is entitled director’s emolument of HK\$50,000 per month as at the date of this report.

Mr. Chen Mudong (“Mr. Chen”), aged 48, re-designated as executive Director and appointed as Chief Executive Officer of the Company on 1 March 2010. Mr. Chen also was the Director of Development Centre in Shenzhen Zhu Jiang Real Estates Development Company Limited, and was also the Deputy General Manager in Shenhui Zhu Jiang Real Estate Development Company Limited in Huizhou city of Guangdong Province. He has been in the management position in various companies and organizations including The Fourth Research Institute of Navigational Affairs under the Ministry of Transportation, China Delta Construction Engineering Company Limited, Huizhou Runyu Real Estate Company Limited, Guangzhou Southern Airline Bi Garden Real Estate Development Company Limited, and Guangzhou Zhu Jiang Investment Group Company Limited. He had attained plenty experience in real estate development and engineering management in the few large development projects he managed. Since 1992, Mr. Chen has devoted his career in real estate development, and has attained solid management experience in team management and leadership and development management for large real estate projects. From 2000 to 2003, Mr. Chen was chief executive officer of Grand Field Property Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司), an indirect wholly owned subsidiary of the Company. He had completed his postgraduate study and is also a qualified engineer. Mr. Chen is entitled director’s emolument of HK\$50,000 per month as at the date of this report.

Profile of Directors

Mr. Wong King Lam, Joseph (“Mr. Wong”), aged 58, has more than 29 years’ extensive experience in auditing, corporate and financial management with a number of companies in different business sectors which include an international accounting firm and local listed companies. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Wong has recently been appointed as the executive director of both Karce International Holdings Company Limited (stock code: 1159) and Asia Resources Holdings Limited (stock code: 899) since 12 October 2009 and 1 October 2009 respectively. Mr. Wong has been an independent non-executive director of Tungtex (Holdings) Company Limited (stock code: 518) since 18 August 2004 up to present, and was the company secretary of the same company from 1987 to 1991, as well as the financial controller of the same company from 1987 to 1992. He was also an independent non-executive director of China Strategic Holdings Limited (stock code: 235) for the period from 30 September 2004 to 18 October 2007, Hanny Holdings Limited (stock code: 275) and Wing On Travel (Holdings) Limited (stock code: 1189) both for the period from 30 September 2004 to 31 October 2007, and China Infrastructure Investment Limited (formerly known as Honesty Treasure International Holdings Limited) (stock code: 600) for the period from 25 August 2005 to 20 August 2007, and an executive director of the Company for the period from 16 March 2007 to 31 December 2007. Mr. Wong is entitled director’s emolument of HK\$50,000 per month as at the date of this report.

Ms. Chow Kwai Wa, Anne (“Ms. Chow”), aged 44, was appointed as executive Director on 5 February 2010. Ms. Chow holds a bachelor’s degree in Business Administration from Shepherd University, USA. She was the Operations Manager of Air Global Holdings Ltd and Business Director of AGE International Ltd, the subsidiary of Air Global. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the Operations Manager of the Singapore branch. Ms. Chow has also worked as the Administrative cum Sales Director for a number of Chinese property projects and was the Personal Assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive work experience in financial and business management, sales strategic planning and overseas marketing. Ms. Chow joined the Group in November 2009. She is currently the General Manager (sales and administration) of the Company. Ms. Chow is entitled director’s emolument of HK\$5,000 per month as at the date of this report.

Profile of Directors

Ms. Kwok Siu Wa, Alison (“Ms. Kwok”), aged 35, was appointed as executive Director on 5 February 2010. Ms. Kwok holds a bachelor’s degree in International Business Management from Oxford Brookes University and a master’s degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for the Group’s administrative and accounting matters. She has more than 12 years of experience in accounting and administrative management and has been the assistant to the Chairman. With effect from 5 February 2010, Ms. Kwok was appointed as the Vice President (business development) of the Company. She is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investment (BVI) Limited, Metro China Investment Limited, China Max Group Limited, Grand Field Group Limited, Ka Fong Industrial Company Limited, Shing Fat Hong Limited, Kwan Cheung Holdings Limited, Grand Field New Energy Company Limited, China Maxline Limited; and Grand Field Property Development (Shenzhen) Company Limited.

Ms. Kwok is the sibling of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. She is also the sibling of Mr. Kwok, a non-executive Director. Ms. Kwok is entitled director’s emolument of HK\$5,000 per month as at the date of this report.

Non-executive Directors

Mr. CHU King Fai (“Mr. Chu”), aged 48, was re-designated as non-executive Director on 12 October 2009. He was also appointed as Chief Executive Officer on 16 October 2008. Mr. Chu graduated from the Shenzhen University – Real Estate Management and Administration. Mr. Chu is a member of the 10th and 11th CPPCC National Committee. He is also the vice-president of both the Shenzhen Overseas Chinese International Association and the Promotion of Guangcai. Prior to the joining of the Company, he was the president of The Min Tai Group Co., Ltd.. Mr. Chu is entitled director’s emolument of HK\$15,000 per month as at the date of this report.

Mr. LIM Francis (“Mr. Lim”), aged 52, was re-designated as a non-executive Director on 14 December 2009. Mr. Lim was formerly a Director of Business Development for Hutchison Telecom, AT & T (Asia Pacific) and most recently Asia Global Crossing. He was instrumental in opening both India and China whilst at AT & T by securing two cellular licenses in India and by forming the first State Council approved telecom service joint venture in China. Mr. Lim has over 15 years of experience in corporate advisory, business planning, alliance and joint venture formation and cross border mergers and acquisition. He also has extensive experience in doing business in Greater China, Korea, ASEAN and India. Mr. Lim was awarded a Bachelor of Science in Chemical Engineering by the University of Wisconsin in 1980 and a Master of Science in Finance by the Hong Kong University of Science and Technology in 2007.

Profile of Directors

From 2003 to 2006, Mr. Lim was a non-executive member of the board of Elephant Talk Communications Inc., (Ticker "ETLK") a company listed on the OTC.BB in the US. Save as disclosed, Mr. Lim has not held any directorship in other listed public companies in the last three years. Further, Mr. Lim was a director of Champford Corporation Limited when it was dissolved by deregistration on 23 November 2007 after Champford Corporation Limited remained dormant for several years. Champford Corporation Limited was incorporated in Hong Kong and was principally engaged in trading business before turning dormant.

Mr. Lim was also appointed as Alternate Director to each of Mr. Ma Xuemian, Mr. Chen Mudong and Mr. David Chi-ping Chow on 9 December 2008. Mr. Lim is entitled director's emolument of HK\$25,000 per month as at the date of this report.

Mr. ZHAO Yang ("Mr. Zhao"), aged 44, was elected as a non-executive Director. Mr. Y. Zhao is a 國家一級註冊建造師 (Registered National First Class Architect*), a 中國房地產經濟師 (Economist of China Real Estate*) and a 中國建築經濟師 (Economist of China Architect*). He graduated from Civil Engineering from 天津大學 (Tianjin University*) in 1982. In 1988, he graduated from Corporate Management from the University of Jiangsu. Mr. Y. Zhao graduated from System Engineering from The Tianjin University in 1997. Mr. Y. Zhao was a project manager and sales manager of 連雲港房屋建設開發總公司 (Lianyungang Housing Construction Company*) from 1982 to 1994. Between 1997 to 1998, he was the manager of the Marketing Department of 深圳龍崗房地產交易中心 (Shenzhen Longgang Real Estate Exchange Centre*). He was a project manager of Grand Field Property Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司), an indirect wholly owned subsidiary of the Company, from 1999 to 2000. He was the general manager of 深圳萬基置地集團公司 (Shenzhen Manki Real Estate Group Company*) from 2001 to 2004. Mr. Y. Zhao was the general manager of 英達集團(瀋陽公司) from 2005 to September 2007 and rejoined Grand Field Property Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司) in October 2007 as vice general manager, when Mr. Tsang and Madam Kwok were then Shareholders of the Company and were deemed to be substantial shareholders of the Company as at the date of this annual report. Mr. Zhao is entitled director's emolument of HK\$20,000 per month as at the date of this report.

Mr. Kwok Siu Bun ("Mr. Kwok"), aged 34, graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. Mr. Kwok had previously worked for Deutsche Bank (New York) where he was a Senior Systems Analyst of the Private Banking Department. In 2003, he was the Project Manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He has also worked in Crushpad Winery in San Francisco and recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverage market. Mr. Kwok has more than 12 years of professional experience in various industries including banking, information technology and wine business.

Profile of Directors

Mr. Kwok is the sibling of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok, an executive Director. Mr. Kwok is entitled director's emolument of HK\$15,000 per month as at the date of this report.

Independent Non-executive Directors

Mr. David Chi-ping CHOW ("Mr. Chow"), aged 53, was elected as an Independent Non-executive Director on 2 December 2008. Mr. Chow is currently a Managing Director with Teknill Holdings Ltd., an commerce and supply chain management group of companies. Mr. Chow was the General Manager of China of Interclients LLC and a partner at Shanghai China Bay Partners. Mr. Chow is a United States Certified Public Accountant and an American Certified Tax Practitioner. He has 27 years of experience in financial planning, corporate internal control and audit, strategic planning and implementation. Mr. Chow previously has worked as the Chief Financial Officer for China at General Mills and Haagen-Dazs, Xian Janssen Pharmaceutical (a subsidiary of Johnson & Johnson group), respectively. He was the Chief Financial Officer for Greater China of Pillsbury and Haagen-Dazs, the Chief Financial Officer for China and Vice-President of Supply Chain for Nabisco. He was a partner of Speakman & Price a public accounting firm and a financial analyst of Motorola. Mr. Chow graduated with a Bachelor in Accounting from Santa Clara University, California. He also received management training from Columbia University and Northwestern University. Mr. Chow is entitled director's emolument of HK\$15,000 per month as at the date of this report.

Mr. LIU Chaodong ("Mr. Liu"), aged 41, has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from 安徽江淮職業大學, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, majoring in legal studies. Mr. Liu served as the chief accountant in 藍星新星材料股份有限公司 during 1991 to 1994 and a department manager in 中磊會計師事務所有限公司 during 1994 to 1997. Mr. Liu is currently a deputy general manager of Crowe Horwath China CPAS Co. Ltd., Guangdong Foshan Branch. Mr. Liu is entitled director's emolument of HK\$10,000 per month as at the date of this report.

Ms. Zhang Xiaoyan ("Ms. Zhang"), aged 41, graduated from the School of Accounting, Zhongnan University of Economics and Law and is an accountant. She was the Finance Manager of Daye Special Steel Co., Ltd., where she was in charge of the financial management of the company and its subsidiaries. Since 1998, Ms. Zhang has been engaging in property business. She has been the Finance Manager of Shenzhen Langju Property Development Company Limited and Yingchao Group's Shenzhen Property Development Company Limited. Ms. Zhang has over 10 years of experience in financial management of property business. Ms. Zhang is entitled director's emolument of HK\$10,000 per month as at the date of this report.

Corporate Governance Report

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 14 Code on Corporate Governance (“**Code**”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) throughout the year ended 31 December 2009.

This report describes its corporate governance practices and explains the applications of the principles on the Code of the Listing Rules except for the deviations from provisions A.2.1 and A.4.1 of the Code which are explained in the relevant paragraphs as below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (“**Model Code**”). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board now comprises a total of twelve Directors, of whom five are executive Directors, four are non-executive Directors and three are independent non-executive Directors. Two of independent non-executive Directors have appropriate professional qualifications. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group’s overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company’s affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company.

Corporate Governance Report

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

During the year ended 31 December 2009, 29 Board meetings were held. The attendance records of each director at such meetings is set out below:

Directors	Attendance
Executive Directors:	
Mr. Ma Xuemian (Chairman)	17/29
Mr. Wong King Lam, Joseph (appointed on 20 November 2009)	4/4
Ms. Chow Kwai Wa, Anne (appointed on 5 February 2010)	0/0
Ms. Kwok Siu Wa, Alison (appointed on 5 February 2010)	0/0
Mr. Chen Mudong (Chief Executive Officer) (re-designated from non-executive director to executive director and CEO on 1 March 2010)	0/0
Mr. Au Kwok Chuen, Vincent (he was not re-elected at the annual general meeting held on 9 November 2009)	12/23
Miss. Ho Suk Yin, Nancy (resigned on 10 February 2009)	0/0
Non-executive Directors:	
Mr. Chu King Fai (re-designated from executive director to non-executive director on 12 October 2009)	16/29
Mr. Lim Francis (re-designated from executive director to non-executive director on 14 December 2009)	13/29
Mr. Zhao Yang (re-designated from executive director to non-executive director on 9 November 2009)	14/29
Mr. Kwok Siu Bun (appointed on 5 February 2010)	0/0
Mr. Ng Ka Chong (resigned on 8 March 2010)	16/29
Mr. Zhao Juqun (resigned on 9 November 2009)	10/25

Corporate Governance Report

Directors	Attendance
Independent non-executive Directors:	
Mr. David Chi-ping Chow	13/29
Mr. Liu Chaodong (appointed on 25 August 2009)	8/13
Ms. Zhang Xiaoyan (appointed on 5 February 2010)	0/0
Ms. Chan Kit Yee, Katherine (resigned on 29 May 2009)	1/15
Mr. Mok King Tong (resigned on 4 September 2009)	11/19
Dr. Wong Yun Kuen (resigned on 4 September 2009)	13/19
Mr. Yang Biao (resigned on 4 September 2009)	9/19
Mr. Xu Quing Fah (he was not re-elected at the annual general meeting held on 9 November 2009)	6/25
Mr. Wong Ching Wan (resigned on 8 January 2009)	1/2

Minutes of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the Chairman of the Meetings. Minutes of the Board meetings are kept by the Company Secretary and shall open for inspection by Directors. Minutes of the audit committee and the remuneration committee are kept by the secretary of these two committees. Where Directors have a material or conflict of interests in any transaction discussed in the Board meeting would not be dealt with by way of written resolutions. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER ("CEO")

Under the provision A.2.1 of the Code stipulates that the role of both the Chairman and CEO should be separate and should not be performed by the same individual. Mr. Chu King Fai was appointed as the chairman and chief executive officer of the Company on 31 January 2008 and 16 October 2008 respectively. The Board considered the effectiveness of the corporate structure of the Company, therefore, it appointed Mr. Ma Xuemian as the Chairman on 19 October 2009 as a replacement of Mr. Chu King Fai to make a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the CEO is authorized and responsible for the management of the day-to-day business of the Group as well as the implementation of the strategies approved by the Board. Following the re-designation from non-executive director to executive director of Mr. Chen Mudong on 1 March 2010, the Board appointed Mr. Chen Mudong as a CEO to replace Mr. Chu King Fai on the same date.

NON-EXECUTIVE DIRECTORS

Under the provision A.4.1 of the Code, the appointment of independent non-executive Directors should have been appointed for a specific term.

During the year ended 31 December 2009, the independent non-executive Directors were not appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws.

Corporate Governance Report

During the year ended 31 December 2009, as the re-election of Mr. Xu Quing Fah was not approved by the shareholders of the Company at its annual general meeting held on 9 November 2009 (the "Annual General Meeting"), since the conclusion of the Annual General Meeting, the Company only has two independent non-executive Directors and two members of the audit committee of the Company, which falls below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

The Company had been actively identifying suitable candidates for appointment as independent non-executive Director so as to meet the minimum number required under Rule 3.10(1) of the Listing Rules. Finally, Ms. Zhang Xiaoyan was appointed as independent non-executive Director and a member of both audit committee and remuneration committee of the Company in order to comply with the Rule 3.10(1) and Rule 3.21 of the Listing Rules.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprised of three independent non-executive Directors, namely David Chi-ping Chow, Mr. Liu Chaodong and Ms. Zhang Xiaoyan, was established in 2005 with written terms of reference in compliance with the requirement stipulated in the Code of the Listing Rules. The full terms of reference of the remuneration committee are available on the Company's website.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of all Directors and senior management on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval.

Three remuneration committee meetings were held in 2009 to review the remuneration of Directors and senior management for the financial year ended 31 December 2009 and to make recommendations on the remuneration package of the newly appointed Directors. The attendance records of the meetings are as follows:

Members	Attendance
REMUNERATION COMMITTEE	
Mr. David Chi-ping Chow (appointed on 4 September 2009)	3/3
Mr. Liu Chaodong (appointed on 4 September 2009)	2/2
Ms. Zhang Xiaoyan (appointed on 5 February 2010)	0/0
Mr. Mok King Tong (resigned on 4 September 2009)	1/1
Dr. Wong Yun Kuen (resigned on 4 September 2009)	1/1
Mr. Yang Biao (resigned on 4 September 2009)	1/1
Mr. Xu Quing Fah (appointed on 4 September 2009 and he was not re-elected at the annual general meeting held on 9 November 2009)	1/1
Mr. Ng Ka Chong (resigned on 8 March 2010)	1/3

Corporate Governance Report

AUDIT COMMITTEE

The audit committee was established with written terms of reference with the requirement stipulated in the Code of the Listing Rules. The full terms of reference of the audit committee are available on the Company's website.

The audit committee has three members comprising three independent non-executive Directors, Mr. David Chi-ping Chow, Mr. Liu Chaodong and Ms. Zhang Xiaoyan, and its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the committee reveal cause for concern or scope for improvement.

The audit committee held one meeting during the year ended 31 December 2009 to consider the full year audit report for fiscal 2009. The attendance records of the meeting are as follows:

Members	Attendance
AUDIT COMMITTEE	
Mr. David Chi-ping Chow (appointed on 4 September 2009)	1/1
Mr. Liu Chaodong (appointed on 4 September 2009)	1/1
Ms. Zhang Xiaoyan (appointed on 5 February 2010)	1/1
Mr. Mok King Tong (resigned on 4 September 2009)	0/0
Dr. Wong Yun Kuen (resigned on 4 September 2009)	0/0
Mr. Yang Biao (resigned on 4 September 2009)	0/0
Mr. Xu Qing Fah (appointed on 4 September 2009 and he was not re-elected at the annual general meeting held on 9 November 2009)	0/0

Corporate Governance Report

NOMINATION OF DIRECTORS

In accordance with the Company's Bye-Laws, the Board shall have power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an additional director. Apart from that, nomination of directors is determined by the Board with approvals by the shareholders in the general meeting. In addition, a resolution was passed by the then sole shareholder of the Company on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Notwithstanding the above, in the High Court judgment ("Judgment") handed down on 12 Aug 2009, paragraph 39 states that Bye-Law 113 of the Company's Bye-Laws empowers the Company in General Meeting to increase the number of directors beyond the 1999 maximum simply by voting on specified candidates as additional directors. Paragraph 41 of the Judgment further states that in contrast the board's ability to vote additional directors is explicitly limited by any prevailing maximum which the Company in General Meeting has expressly or impliedly determined.

INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

- (i) carry on its business in an orderly and efficient manner;
- (ii) safeguard the Group's and the clients' assets;
- (iii) maintain proper records and the reliability of financial and other information used within and published by the Group;
- (iv) prevent and detect potential fraud; and
- (v) comply with all applicable laws and regulatory requirements.

Corporate Governance Report

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has reviewed the internal control system review report conducted by the Company on the effectiveness of the Company's internal controls during the financial year. The Board considers that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are adequate.

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December, 2009, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the accounts on a going concern basis.

The Board is accountable to the shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rules 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2009.

Corporate Governance Report

EXTERNAL AUDITORS

The external auditors of the Company for the three years ended 2009, 2008 and 2007 was Baker Tilly Hong Kong Limited and the auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. They do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditors.

The auditor's remuneration for the provision of annual audit services of approximately HK\$700,000 was charged to the Group's income statement for the year ended 31 December 2009 (2008: HK\$1,160,000). Apart from the provision of annual audit services, the Group's external auditor also performed tax consultancy works and high-level accounting review works to the Group and approximately HK\$217,694 was charged to the Group's income statement for the year ended 31 December 2009 (2008: HK\$36,800).

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company's website at <http://www.irasia.com/listco/hk/grandfield/> and meetings with investors and analysts.

On behalf of the Board

Ma Xuemian

Chairman

Hong Kong, 29 April 2010

Directors' Report

The directors submit herewith their annual report together with the audited financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 17 to the financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 17 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue made from the five largest customers of the Group accounted for approximately 63% (2008: 46.66%) of the Group's turnover, before deducting sales return of properties, for the year. Turnover from the Group's largest customer accounted for approximately 63% (2008: 24.08%) of the Group's turnover for the year.

During the year, no construction was performed and thus no major suppliers were identified.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 120.

Directors' Report

TRANSFER TO RESERVES

The loss attributable to shareholders of HK\$56,919,000 (2008: HK\$91,655,000) has been transferred to reserves. Other movements in reserve are set out in note 30(a) to the financial statements.

DIVIDENDS

The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2009 (2008: HK\$nil). No interim dividend was declared for the six months ended 30 June 2009 (2008: HK\$nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a surplus of HK\$3,946,000 (2008: a deficit of HK\$22,241,000), which has been (debited)/credited directly to the consolidated income statement respectively. The deferred tax arising from the revaluation amounted to HK\$1,097,000 in 2009 (2008: HK\$3,551,000). Details of the revaluation are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30(c) to the financial statements.

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Ma Xuemian (*Chairman*)

Mr. Wong King Lam, Joseph (appointed on 20 November 2009)

Ms. Chow Kwai Wa, Anne (appointed on 5 February 2010)

Ms. Kwok Siu Wa, Alison (appointed on 5 February 2010)

Mr. Chen Mudong (*Chief Executive Officer*) (re-designated from non-executive director to executive director and CEO on 1 March 2010)

Mr. Au Kwok Chuen, Vincent (he was not re-elected at the annual general meeting held on 9 November 2009)

Miss. Ho Suk Yin, Nancy (resigned on 10 February 2009)

Non-executive Directors:

Mr. Chu King Fai (re-designated from executive director to non-executive director on 12 October 2009)

Mr. Lim Francis (re-designated from executive director to non-executive director on 14 December 2009)

Mr. Zhao Yang (re-designated from executive director to non-executive director on 9 November 2009)

Mr. Kwok Siu Bun (appointed on 5 February 2010)

Mr. Ng Ka Chong (resigned on 8 March 2010)

Mr. Zhao Juqun (resigned on 9 November 2009)

Directors' Report

Independent non-executive Directors:

Mr. David Chi-ping Chow

Mr. Liu Chaodong (appointed on 25 August 2009)

Ms. Zhang Xiaoyan (appointed on 5 February 2010)

Ms. Chan Kit Yee, Katherine (resigned on 29 May 2009)

Mr. Mok King Tong (resigned on 4 September 2009)

Dr. Wong Yun Kuen (resigned on 4 September 2009)

Mr. Yang Biao (resigned on 4 September 2009)

Mr. Xu Quing Fah (appointed on 25 August 2009, resigned on 9 November 2009 and he was not re-elected at the annual general meeting held on 9 November 2009)

Mr. Wong Ching Wan (resigned on 8 January 2009)

Pursuant to Bye-law 114 and 115 of the Bye-laws, Mr. Wong King Lam, Joseph, Ms. Chow Kwai Wa, Anne, Ms. Kwok Siu Wa, Alison, Mr. Kwok Siu Bun and Ms. Zhang Xiaoyan will retire at the Annual General Meeting. The said Directors, being eligible for re-election, will offer themselves for re-election at the Annual General Meeting.

Pursuant to Bye-law 111 and of the Bye-laws, Mr. Chu King Fai, Mr. Chow Chi-ping David and Mr. Zhao Yang will retire at the Annual General Meeting and will offer themselves for re-election at the Annual General Meeting.

The Company has received annual confirmations of independence from each of the 3 independent directors of the Company, and as at the date of this report still considers them to be independent.

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

Biographical details of the directors of the Company are set out on pages 6 to 10 of the Company's annual report.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

(i) Long positions in shares of the Company

As at 31 December 2009, the interests and long positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

Name of Director	Capacity /nature of interests	Number of ordinary share(s) held	Number of underlying share(s) held	Total interests as percentage of the issued share capital
Chu King Fai	Beneficial Owner	–	25,000,000	0.99%

(ii) Share options in the Company

Share option scheme

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share.

Directors' Report

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme from 23 June 2006.

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Date of grant	Exercisable period	Exercisable price per share HK\$	Number of Share options				Outstanding at 31 December 2009
				Outstanding at 1 Jan 2009	Granted during the year	Exercised during the year	Lapsed during the year	
Category 1: Directors								
Chu King Fai	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	-	-	-	25,000,000
Au Kwok Chuen, Vincent (he was not re-elected at the annual general meeting held on 9 November 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	-	-	-	25,000,000
Zhao Juqun (resigned on 9 November 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	-	-	-	25,000,000
Wong Yun Kuen (resigned on 4 September 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	-	-	-	2,500,000
Yang Biao (resigned on 4 September 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	-	-	-	2,500,000
Mok King Tong (resigned on 4 September 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	-	-	-	2,500,000
Total for directors				<u>82,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,500,000</u>
Category 2: Substantial shareholder	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	-	-	(2,500,000)	-
Total for Substantial shareholder				<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>	<u>-</u>

Directors' Report

	Date of grant	Exercisable period	Exercisable price per share HK\$	Number of Share options				Outstanding at 31 December 2009
				Outstanding at 1 Jan 2009	Granted during the year	Exercised during the year	Lapsed during the year	
Category 3: Employees	21 August 2008	21 August 2008 – 18 August 2011	0.1724	37,900,000	–	–	(6,200,000)	31,700,000
	21 October 2008	21 October 2008- 15 October 2011	0.128	56,000,000	–	–	–	56,000,000
Total for employees				<u>93,900,000</u>	<u>–</u>	<u>–</u>	<u>(6,200,000)</u>	<u>87,700,000</u>
Category 4: Other participants	21 October 2008	21 October 2008- 15 October 2011	0.128	25,000,000	–	–	–	25,000,000
Total for other participants				<u>25,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>25,000,000</u>
Total for all categories				<u>203,900,000</u>	<u>–</u>	<u>–</u>	<u>(8,700,000)</u>	<u>195,200,000</u>

The closing prices of the Company's shares on the trading days immediately before 21 August 2008 and 21 October 2008, being the dates of grants of the options, were HK\$0.154 and HK\$0.115 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the headings "Directors' interests in shares and options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no director of the Company had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2009, other than the interests disclosed above in respect of certain directors, so far as is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of Shareholder	Capacity /nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Hongkong Zhongxing Group Co., Limited (Note 1)	Beneficial Owner	561,750,000	22.32%
Huang Bing Huang (Note 1)	Interest of Corporation Controlled	561,750,000	22.32%
Kwok Wai Man, Nancy (Notes 2 and 3)	Beneficial Owner	14,170,000	0.56%
	Interest of Corporation Controlled	479,050,000	19.03%
	Interests of children under 18 or spouse	64,210,000	2.55%
Rhenfield Development Corp. (Note 3)	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland (Notes 3 and 4)	Beneficial Owner	64,210,000	2.55%
	Interest of Corporation Controlled	479,050,000	19.03%
	Interests of children under 18 or spouse	14,170,000	0.56%

Directors' Report

Note 1: Hongkong Zhongxing Group Co., Limited is owned by Mr. Huang Bing Huang. Mr. Huang Bing Huang is deemed to be interested in 561,750,000 shares pursuant to the Part XV of the SFO.

Note 2: These 64,210,000 shares is owned by Tsang Wai Lun, Wayland ("Mr. Tsang), spouse of Kwok Wai Man, Nancy ("Ms. Kwok"). Ms. Kwok is deemed to be interested in 64,210,000 shares pursuant to the Part XV of the SFO.

Note 3: Rhenfield Development Corp. is owned by Ms. Kwok and Mr. Tsang in equal shares. Ms. Kwok is deemed to be interested in 479,050,000 shares pursuant to the Part XV of the SFO.

Note 4: These 14,170,000 shares is owned by Ms. Kwok, spouse of Mr. Tsang. Mr. Tsang is deemed to be interested in 14,170,000 shares pursuant to the Part XV of the SFO.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 121. This summary does not form part of the audited financial statements.

Directors' Report

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2009 are set out on pages 122 to 126.

BANK LOANS AND OTHER BORROWINGS

Details of bank and other borrowings are set out in note 26 to the financial statements.

PURCHASE, SALE REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiary companies purchased, sold, redeemed or cancelled any of the Company's listed securities.

COMPLIANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance in Appendix 14 of the Listing Rules throughout the year except deviations stated in the Corporate Governance Report on pages 11 to 18.

AUDIT COMMITTEE

The audit committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the audited financial statements for the year ended 31 December 2009, with external auditors. There were no disagreements from the auditors or the audit committee in respect of the accounting policies adopted by the Company.

Directors' Report

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2007, 2008 and 2009 were audited by Baker Tilly Hong Kong Limited.

Baker Tilly Hong Kong Limited will retire at the conclusion of the forthcoming annual general meeting ("AGM") of the Company and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Baker Tilly Hong Kong Limited as auditors of the Company is to be proposed at the AGM.

On behalf of the board

Ma Xuemian

Chairman

Hong Kong, 29 April 2010

Independent Auditor's Report



BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

香港天華會計師事務所有限公司

12/E, China Merchants Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

香港干諾道中168-200號
信德中心招商局大廈12樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 120, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

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

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

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

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the following matters:

- (a) As mentioned in note 15(d) and 33(c) to the consolidated financial statements, the Group holds a parcel of leasehold land in Shenzhen, the PRC, with a prepaid premium for land leases amounting to HK\$167,682,000 as at 31 December 2009. Due to lack of development on the land site, there is possibility that the land may be repossessed by the local government. Whether the land will be repossessed is dependent upon the outcome of the Group's measures to be taken to avoid the repossession. At the present time, the Group is unable to ascertain the likelihood of the repossession or whether any liability or penalty would arise in relation to the possible repossession. The consolidated financial statements do not include any adjustments that may be necessary in relation to the possible repossession. We consider that adequate disclosures have been made.

Independent Auditor's Report

- (b) We have considered the adequacy of the disclosures made in note 33(a)(i) to the consolidated financial statements concerning the possible outcome of various legal proceedings initiated by a former director and shareholder of the Company, Mr. Tsang Wai Lun, Wayland, against the Company and eight of the then directors, alleging that the then directors had breached their fiduciary duties in relation to various transactions entered into by the Group. In the opinion of the directors, the defendant directors have either resigned or re-designated as non-executive directors and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.
- (c) As mentioned in note 2(b) to the consolidated financial statements, the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of approximately HK\$56,919,000 for the year ended 31 December 2009 and the Group's cash and cash equivalents decreased from HK\$9,392,000 as at 31 December 2008 to HK\$808,000 as at 31 December 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the appropriateness of which is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the Group fail to finance its future working capital and financial requirements. We consider that adequate disclosures have been made.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 29 April 2010

Lo Wing See

Practising Certificate number P04607

Consolidated Income Statement

for the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000
CONTINUING OPERATIONS:			
Revenues	4	4,623	5,133
Cost of revenue		(861)	(2,260)
Gross profit		3,762	2,873
Other revenue and income	4	2,460	1,035
Distribution costs		(666)	(285)
Administrative expenses		(49,163)	(49,184)
Fair value gain/(loss) on investment properties	14	3,946	(22,241)
Impairment loss on amount due from a director		–	(227)
Impairment loss on amount due from a related party		(1,160)	–
Reversal of impairment loss/(impairment loss) on completed properties held for sale	22	362	(244)
Impairment loss on mortgage loan receivables	18(b)	(160)	(544)
Impairment loss on other receivables, deposits and prepayments		(15,301)	(4,927)
Impairment loss on properties under development	16	–	(26,733)
Impairment loss on goodwill	19	(997)	–
Loss from operations		(56,917)	(100,477)
Finance costs	5(c)	(851)	(1,062)
Loss before taxation	5	(57,768)	(101,539)
Income tax credit	6	849	3,447
Loss for the year from continuing operations		(56,919)	(98,092)
DISCONTINUED OPERATION:			
Profit for the year from discontinued operation	8	–	6,437
Loss for the year		(56,919)	(91,655)
Attributable to:			
Equity shareholders of the Company	9	(56,919)	(91,655)
Loss per share (basic and diluted)			
– from continuing operations	11	(2.26 cents)	(3.90 cents)
– from discontinued operation	8(b)	–	0.26 cents
		(2.26 cents)	(3.64 cents)

The notes on pages 41 to 120 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000
Loss for the year		(56,919)	(91,655)
Other comprehensive income	10		
Exchange differences on translation of financial statements of overseas subsidiaries		—	23,854
Total comprehensive loss for the year		(56,919)	(67,801)
Attributable to:			
Equity shareholders of the Company		(56,919)	(67,801)

The notes on pages 41 to 120 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment	13	19,699	20,613
Investment properties	14	68,465	73,858
Prepaid premium for land leases	15	180,634	186,082
Properties under development	16	12,469	12,469
Mortgage loan receivables due after one year	18	1,474	2,756
Goodwill	19	–	–
Pledged bank deposits	20	–	27,996
Restricted cash	24	1,101	1,388
Other non-current assets	21	–	14,773
		283,842	339,935
Current assets			
Completed properties held for sale	22	16,131	16,425
Mortgage loan receivables	18	1,014	1,770
Trade and other receivables	23	11,697	41,365
Tax recoverable	29(a)	459	–
Cash and cash equivalents	24	808	9,392
		30,109	68,952
Current liabilities			
Trade and other payables	25	24,631	14,461
Interest-bearing borrowings	26	1,141	48,613
Tax payable	29(a)	4,103	3,721
Dividend payable		42	42
		29,917	66,837
Net current assets		192	2,115
Total assets less current liabilities		284,034	342,050

Consolidated Balance Sheet

As at 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000
Non-current liabilities			
Deferred tax liabilities	29(b)	<u>2,013</u>	<u>3,110</u>
NET ASSETS		<u>282,021</u>	<u>338,940</u>
CAPITAL AND RESERVES			
Share capital	30(a)	50,336	50,336
Reserves		<u>231,685</u>	<u>288,604</u>
TOTAL EQUITY		<u>282,021</u>	<u>338,940</u>

Approved and authorised for issue by the board of directors on 29 April 2010.

Ma Xuemian

Director

Chen Mudong

Director

The notes on pages 41 to 120 form part of these financial statements.

Balance Sheet

as at 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment	13	19	–
Investments in subsidiaries	17	159,056	159,056
		<u>159,075</u>	<u>159,056</u>
Current assets			
Other receivables, deposits and prepayments	23	781	1,571
Amounts due from subsidiaries	17	135,383	190,084
Cash and cash equivalents	24	215	43
		<u>136,379</u>	<u>191,698</u>
Current liabilities			
Other payables	25	7,370	1,206
Amount due to a subsidiary	17	22,807	11,377
Bank overdrafts, secured	26	–	1,112
Dividend payable		42	42
		<u>30,219</u>	<u>13,737</u>
Net current assets		<u>106,160</u>	<u>177,961</u>
NET ASSETS		<u>265,235</u>	<u>337,017</u>
CAPITAL AND RESERVES			
	30(a)		
Share capital		50,336	50,336
Reserves		214,899	286,681
		<u>265,235</u>	<u>337,017</u>
TOTAL EQUITY		<u>265,235</u>	<u>337,017</u>

Approved and authorised for issue by the board of directors on 29 April 2010.

Ma Xuemian
Director

Chen Mudong
Director

The notes on pages 41 to 120 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Attributable to equity shareholder of the Company						Total HK\$'000
	Share capital (note 30(c)) HK\$'000	Share premium (note 30(d)(i)) HK\$'000	Share option reserve (note 30(d)(ii)) HK\$'000	Special reserve (note 30(d)(iii)) HK\$'000	Exchange reserve (note 30(c)(iv)) HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
Balance at 1 January 2008	50,336	261,949	–	(2,215)	46,247	37,234	393,551
Equity-settled share-based transactions	–	–	13,190	–	–	–	13,190
Total comprehensive loss for the year	–	–	–	–	23,854	(91,655)	(67,801)
Balance at 31 December 2008 and 1 January 2009	50,336	261,949	13,190	(2,215)	70,101	(54,421)	338,940
Transfer on lapse of share options	–	–	(625)	–	–	625	–
Total comprehensive loss for the year	–	–	–	–	–	(56,919)	(56,919)
Balance at 31 December 2009	50,336	261,949	12,565	(2,215)	70,101	(110,715)	282,021

The notes on pages 41 to 120 form part of these financial statements..

Consolidated Cash Flow Statement

for the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000 (Re-presented)
Operating activities			
Loss before taxation			
Continuing operations		(57,768)	(101,539)
Discontinued operation	8(a)	–	–
		(57,768)	(101,539)
Adjustments for:			
Amortisation of prepaid premium for land leases	5(b)	5,561	5,770
Depreciation	5(b)	1,941	1,815
Equity-settled share-based payments	5(a)	–	13,190
Fair value (gain)/loss on investment properties	5(b)	(3,946)	22,241
Gain on disposal of property, plant and equipment, net	4	–	(239)
Gain on disposal of investment properties	4	(1,627)	–
Interest income	4	(581)	(600)
Interest expenses	5(c)	851	1,062
Impairment loss on amount due from a director	5(b)	–	227
Impairment loss on amount due from a related party	5(b)	1,160	–
(Reversal of impairment loss)/impairment loss on completed properties held for sale	5(b)	(362)	244
Impairment loss on mortgage loan receivables	5(b)	160	544
Impairment loss on other receivables, deposits and prepayments	5(b)	15,301	4,927
Impairment loss on properties under development	5(b)	–	26,733
Impairment loss on goodwill	5(b)	997	–
Provision for litigation settlement	5(b)	6,559	–
		(31,745)	(25,625)
Operating loss before changes in working capital			
Decrease in completed properties held for sale		656	2,083
Decrease in mortgage loan receivables		1,878	2,287
Decrease/(increase) in trade and other receivables		33,012	(54,023)
Increase in amount due from a related party		(1,160)	–
Increase in trade and other payables		3,531	5,307
Decrease in deposits received on properties held for sale		(5)	(256)
		6,158	(70,227)
Cash generated from/(used in) operations			
Interest received		581	600
Interest paid		(851)	(1,062)
Tax paid – overseas tax (paid)/refund		(325)	213
		5,563	(70,476)
Net cash generated from/(used in) operating activities			

Consolidated Cash Flow Statement

for the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 HK\$'000	2008 HK\$'000 (Re-presented)
Investing activities			
Purchases of property, plant and equipment		(843)	(11)
Additions to prepaid premium for land leases		(113)	(867)
Increase in properties under development		–	(117)
Proceeds from disposal of investment properties		5,421	–
Proceeds from disposal of prepaid premium for land leases		–	4,972
Decrease/(increase) in pledged bank deposits		27,996	(27,996)
Decrease in restricted cash		287	702
Net cash inflow on acquisition of subsidiaries	27	9	–
Net cash generated from/(used in) investing activities		32,757	(23,317)
Financing activities			
Increase in interest-bearing borrowings		1,102	46,933
Repayment of interest-bearing borrowings		(46,894)	(11,840)
Repayment of advances from directors		–	(7,616)
Net cash (used in)/generated from financing activities		(45,792)	27,477
Net decrease in cash and cash equivalents		(7,472)	(66,316)
Cash and cash equivalents at 1 January		8,280	71,043
Effect of foreign exchange rate changes		–	3,553
Cash and cash equivalents at 31 December	24	808	8,280

The notes on pages 41 to 120 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 13 May 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The company has its primary listing on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development, property investment and property management. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements.

These financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise indicated, which is also the functional currency of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair value as explained in the accounting policies in note 2(g).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 36.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The financial statements have been prepared on a going concern basis. This may not be appropriate in view of the significant consolidated accumulated losses at 31 December 2009. During the year ended 31 December 2009, the Group suffered an operating loss of HK\$56,919,000 and the Group's cash and cash equivalents decreased from HK\$9,392,000 as at 31 December 2008 to HK\$808,000 as at 31 December 2009. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) The Group has been actively seeking prospective investor; and
- (ii) The Group will obtain loan financing from financial institutions where appropriate.

In the opinion of the directors, in light of the measures taken to date and on the basis of the above-mentioned major assumptions, the Group will have sufficient working capital to finance and maintain operations in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(i)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(g) Investment properties

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

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)(ii)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	2.5% or over the lease term, whichever is shorter
Leasehold improvements	20% – 33.3%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation. Such assets are at least tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

(j) Leased assets

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) **Leased assets** *(Continued)*

(i) **Classification of assets leased to the Group**

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

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) **Assets acquired under finance leases**

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(iii) Operating lease charges

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)). Except where the property is classified as an investment property, impairment losses are recognised in accordance with the accounting policy set out in note 2(i).

Where the Group has the use of other assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Property held under development

Properties held under development are stated at the lower of cost and net realisable value and comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On commencement of construction, properties held for development are transferred to properties under development. On completion, the properties are transferred to completed properties held for sale.

(l) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Loans and receivables

(i) *Mortgage loan receivables*

Mortgage loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of mortgage loan receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Once mortgage loan receivables have been written down as a result of impairment loss, the reversal of previous provision will be charged to the administrative expenses.

(ii) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Employee retirement benefits

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

Pursuant to the relevant regulations of the PRC government, the Company and its subsidiaries operating in the PRC have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the Company and its subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the income statement as incurred.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(iii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) **Income tax** *(Continued)*

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(s) **Financial guarantees issued, provisions and contingent liabilities**

(i) **Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities

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

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

(t) Translation of foreign currencies

(i) Functional and presentation currency

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies *(Continued)*

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

(iii) Group companies

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) **Borrowing costs** *(Continued)*

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) **Related parties**

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's and the Company's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations
- HK(IFRIC) 15, Agreements for the construction of real estate

Except for HKAS 1 (revised 2007) as described below, the adoption of these new and revised HKFRSs has no material impact on the Group's or the Company's financial statements.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4 REVENUES

The principal activities of the Group are property development, property management and investment.

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale sold by the Group to outside customers, property rental income and property management services rendered for the years ended, less sales return of properties sold, and is analysed as follows:

	2009 HK\$'000	2008 HK\$'000
Revenues		
Sales of properties held for sale	1,147	1,826
Property rental	1,828	2,071
Property management services	1,648	1,236
Turnover	4,623	5,133
Other revenue and income		
Interest income on bank deposits	581	486
Interest income on loan receivables	–	114
Gain on disposal of property, plant and equipment, net	–	239
Gain on disposal of investment properties	1,627	–
Penalty income	90	93
Sundry income	162	103
	2,460	1,035
Total revenues and turnover	7,083	6,168

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2009 HK\$'000	2008 HK\$'000
(a) Staff costs (including directors' emoluments (note 7(a)):		
Salaries, wages and other benefits	8,338	7,604
Contributions to defined contribution retirement plans	81	107
Equity-settled share-based payment expenses	–	13,190
	<u>8,419</u>	<u>20,901</u>
(b) Other items:		
Amortisation of prepaid premium for land leases	5,561	5,770
Auditor's remuneration	1,055	1,355
Business tax and other levies		
(included in cost of completed properties sold)	28	99
Cost of completed properties sold	684	2,181
Depreciation	1,941	1,815
Fair value (gain)/loss on investment properties	(3,946)	22,241
Impairment loss on goodwill	997	–
Impairment loss on amount due from a director	–	227
Impairment loss on amount due from a related party	1,160	–
(Reversal of impairment loss)/impairment loss		
on completed properties held for sale	(362)	244
Impairment loss on mortgage loan receivables	160	544
Impairment loss on other receivables, deposits and prepayments	15,301	4,927
Impairment loss on properties under development	–	26,733
Gain on disposal of property, plant and equipment, net	–	(239)
Gain on disposal of investment properties	(1,627)	–
Net foreign exchange losses	2,029	1,368
Provision for litigation settlement	6,559	–
Rental charges under operating leases for office premises	1,899	2,395
	<u>15,301</u>	<u>4,927</u>
(c) Finance costs:		
Interest on interest-bearing borrowings		
– wholly repayable within five years	851	1,062
	<u>851</u>	<u>1,062</u>

No borrowing costs have been capitalised during the two financial years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 HK\$'000	2008 HK\$'000
Current tax		
Enterprise Income Tax in the People's Republic of China ("PRC")	9	55
Land Appreciation Tax in the PRC	239	49
Deferred tax		
Origination of temporary differences (note 29(b))	(1,097)	(3,551)
	<u>(849)</u>	<u>(3,447)</u>

PRC Enterprise Income Tax for the subsidiaries incorporated in the PRC is calculated at 25% of the estimated assessable profit for the year (2008: 25%).

PRC Enterprise Income Tax for the subsidiaries incorporated in Hong Kong which have property development investments in the PRC is calculated at 3% (2008: 3%) of the sales revenue on the respective property development projects.

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs and all property development expenditures.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's income neither arises, nor is derived, from Hong Kong in both financial years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2009 HK\$'000	2008 HK\$'000 (Re-presented)
Loss before taxation		
Continuing operations	(57,768)	(101,539)
Discontinued operation	—	—
	<u>(57,768)</u>	<u>(101,539)</u>
Notional tax credit on loss before taxation	(10,948)	(19,172)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	320	7,978
Tax effect on non-deductible expenses	9,639	8,670
Tax effect on non-taxable income	(145)	(1,057)
Tax effect on tax losses not recognised	46	85
Land Appreciation Tax	239	49
Actual tax credit	<u>(849)</u>	<u>(3,447)</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Listing Rules is as follows:

	2009					Total HK\$'000
	Directors' fees HK\$'000	Basic salaries and other benefits HK\$'000	Provident fund contributions HK\$'000	Share-based payments (note (i)) HK\$'000	Compensation for loss of office HK\$'000	
Chairman						
Mr. Ma Xuemian (note (ii))	462	-	-	-	-	462
Executive Directors						
Mr. Au Kwok Chuen, Vincent (note (iii))	531	-	8	-	49	588
Mr. Wong King Lam, Joseph (note (iv))	68	-	-	-	-	68
Mr. Chen Mudong (note (v))	195	-	-	-	-	195
Independent Non-executive Directors						
Dr. Wong Yun Kuen (note (vi))	122	-	6	-	-	128
Mr. Yang Biao (note (vii))	112	-	3	-	-	115
Mr. Mok King Tong (note (viii))	112	-	6	-	-	118
Ms. Chan Kit Yee, Katherine (note (ix))	60	-	-	-	-	60
Mr. Chow Chi-ping, David (note (x))	195	-	-	-	-	195
Mr. Xu Qing Fah (note (xi))	22	-	-	-	-	22
Mr. Liu Chaodong (note (xii))	39	-	-	-	-	39
Mr. Wong Ching Wan (note (xiii))	-	-	-	-	-	-
Non-executive Directors						
Mr. Zhao Juqun (note (xiv))	154	-	-	-	-	154
Mr. Ng Ka Chong (note (xv))	325	-	-	-	-	325
Mr. Chu King Fai (note (xvi))	669	-	10	-	-	679
Mr. Lim Francis (note (xvii))	635	-	13	-	-	648
Mr. Zhao Yang (note (xviii))	260	-	-	-	-	260
	<u>3,961</u>	<u>-</u>	<u>46</u>	<u>-</u>	<u>49</u>	<u>4,056</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Directors' fees	Basic salaries and other benefits	2008		Compensation for loss of office	Total
			Provident fund contributions	Share-based payments (note (i))		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chairman						
Mr. Chu King Fai (note (xvi))	-	631	11	1,795	-	2,437
Executive Directors						
Mr. Hwang Ho Tyan (note (xix))	-	50	-	-	-	50
Mr. Huang Bing Huang (note (xx))	-	438	-	180	-	618
Mr. Au Kwok Chuen, Vincent (note (iii))	-	790	12	1,795	-	2,597
Mr. Chan Sung Wai (note (xxi))	-	168	8	-	-	176
Mr. Ma Xuemian (note (ii))	-	150	-	-	-	150
Mr. Lim Francis (note (xvii))	-	-	-	-	-	-
Mr. Zhao Yang (note (xviii))	-	-	-	-	-	-
Independent Non-executive Directors						
Mr. Hui Pui Wai, Kimber (note (xxii))	70	-	3	-	-	73
Mr. Lum Pak Sum (note (xxiii))	66	-	3	-	-	69
Dr. Wong Yun Kuen (note (vi))	180	-	9	180	-	369
Mr. Yang Biao (note (vii))	93	-	5	180	-	278
Mr. Mok King Tong (note (viii))	93	-	5	180	-	278
Ms. Chan Kit Yee, Katherine (note (ix))	-	-	-	-	-	-
Mr. Chow Chi-ping, David (note (x))	-	-	-	-	-	-
Non-executive Directors						
Mr. Zhao Juqun (note (xiv))	93	-	-	1,795	-	1,888
Mr. Ng Ka Chong (note (xv))	-	-	-	-	-	-
Mr. Chen Mudong (note (v))	-	-	-	-	-	-
	595	2,227	56	6,105	-	8,983

Note:

- (i) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and in note 28.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Note: (Continued)

- (ii) Mr. Ma Xuemian was appointed on 2 December 2008.
- (iii) Mr. Au Kwok Chuen, Vincent retired on 9 November 2009.
- (iv) Mr. Wong King Lam, Joseph was appointed on 20 November 2009.
- (v) Mr. Chen Mudong was appointed on 2 December 2008.
- (vi) Mr. Wong Yun Kuen resigned on 4 September 2009.
- (vii) Mr. Yang Biao was appointed on 25 June 2008 and resigned on 4 September 2009.
- (viii) Mr. Mok King Tong was appointed on 25 June 2008 and resigned on 4 September 2009.
- (ix) Ms. Chan Kit Yee, Katherine was appointed on 2 December 2008 and resigned on 29 May 2009.
- (x) Mr. Chow Chi-ping, David was appointed on 2 December 2008.
- (xi) Mr. Xu Qing Fah was appointed on 25 August 2009 and retired on 9 November 2009.
- (xii) Mr. Liu Chaodong was appointed on 25 August 2009.
- (xiii) Mr. Wong Ching Wan was appointed on 2 December 2008 and resigned on 8 January 2009.
- (xiv) Mr. Zhao Juqun was appointed on 25 June 2008 and resigned on 9 November 2009.
- (xv) Mr. Ng Ka Chong was appointed on 2 December 2008 and resigned on 8 March 2010.
- (xvi) Mr. Chu King Fai was appointed on 31 January 2008.
- (xvii) Mr. Lim Francis was appointed on 2 December 2008.
- (xviii) Mr. Zhao Yang was appointed on 2 December 2008.
- (xix) Mr. Hwang Ho Tyan resigned on 31 January 2008.
- (xx) Mr. Huang Bing Huang resigned on 6 October 2008.
- (xxi) Mr. Chan Sung Wai retired on 18 June 2008.
- (xxii) Mr. Hui Pui Wai, Kimber resigned on 21 May 2008.
- (xxiii) Mr. Lum Pak Sum resigned on 14 May 2008.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining nil (2008: two) highest paid individuals during the year are as follows:

	2009 HK\$'000	2008 HK\$'000
Basic salaries and other benefits	–	1,876
Provident fund contributions	–	–
	<u>–</u>	<u>1,876</u>

The emoluments of the remaining highest paid individuals fell within the following bands:

	2009 Number of individuals	2008 Number of individuals
HK\$1,000,001 – HK\$1,500,000	<u>–</u>	<u>2</u>

8 DISCONTINUED OPERATION

In November 2006, the Group acquired a 78% interest in a Hong Kong company, All Right Holdings Limited ("All Right"), to operate a carnival project in Shenzhen. The carnival was originally scheduled to launch in Christmas 2006 throughout the Lunar Chinese New Year. Due to the failure to obtain approval from the local government in late 2006 for the operating licence, the project did not take place and was rescheduled to commence at Easter 2007. The rescheduling of the carnival resulted in an impairment loss of HK\$5,000,000, upon the directors' reassessment of its estimated cash flows, the Group set aside for the project in the financial year 2006.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8 DISCONTINUED OPERATION (Continued)

In April 2007, the Group unfortunately failed to obtain the operating licence from the local government for the carnival in that the project came into a complete failure. No revenue or cash flow was generated from the project. The directors of the Company have written off all prepaid expenses and deposits relating to the carnival and; consequently made an additional impairment loss of HK\$8,605,000 in the income statement for the year ended 31 December 2007. The directors had discontinued carnival operation and put the subsidiary into liquidation.

- (a) The combined results of the deconsolidation of discontinued operation, included in the consolidated income statement, are as follows:

	2009 HK\$'000	2008 HK\$'000
Turnover	–	–
Profit before taxation	–	–
Income tax	–	–
Profit after taxation	–	–
Gain on deconsolidation of a subsidiary (note 8(c))	–	6,437
Profit for the year from discontinued operation	–	6,437

- (b) Earnings per share from the discontinued operation

	2009 HK\$	2008 HK\$
Basic and diluted earnings per share from the discontinued operation	–	0.26 cents

- (c) Gain on deconsolidation of a subsidiary

With a court order to wind up All Right issued on 15 October 2008, the Group deconsolidated all liabilities of All Right, recognising a gain of HK\$6,437,000 in the consolidated income statement.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK\$71,782,000 (2008: a loss of HK\$95,413,000) which has been dealt with in the financial statements of the Company.

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2009			2008		
	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	23,854	-	23,854
Other comprehensive income	-	-	-	23,854	-	23,854

11 LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to equity shareholders of approximately HK\$56,919,000 (2008: a loss of HK\$91,655,000) and on the weighted average number of 2,516,810,000 (2008: 2,516,810,000) shares in issue during the year.

Diluted loss per share is not presented as there are no diluting events during the years ended 31 December 2008 and 2009.

12 SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the executive directors and senior management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments on a divisional basis: (i) property development, (ii) property rental and (iii) property management.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the year ended 31 December 2009 is set out below:

	Property development HK\$'000	Property rental HK\$'000	Property management HK\$'000	Consolidated HK\$'000
Revenue from external customers	1,147	1,828	1,648	4,623
Segment result	(11,375)	7,948	(7,298)	(10,725)
Unallocated income and gains, net Unallocated expenses				437 (46,629)
Loss from operations Finance costs				(56,917) (851)
Loss before taxation Income tax credit				(57,768) 849
Loss for the year				(56,919)
Segment assets	237,548	69,601	640	307,789
Unallocated assets				6,162
Total assets				313,951
Segment liabilities	15,657	200	-	15,857
Unallocated liabilities				16,073
Total liabilities				31,930
Other segment information:				
Depreciation	1,941	-	-	1,941
Amortisation of prepaid premium for land leases	5,561	-	-	5,561
Reversal of impairment loss on completed properties held for sale	(362)	-	-	(362)
Impairment loss on goodwill	997	-	-	997
Impairment loss on mortgage loan receivables	160	-	-	160
Impairment loss on other receivables, deposits and prepayments	6,437	-	8,864	15,301
Fair value (gain) on investment properties	-	(3,946)	-	(3,946)
(Gain) on disposal of investment properties	-	(1,627)	-	(1,627)
Capital expenditure	843	-	-	843

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments for the year ended 31 December 2008 is set out below:

	Continuing operations			Total HK\$'000	Discontinued operation	Consolidated HK\$'000 (Re-presented)
	Property development HK\$'000	Property rental HK\$'000	Property management HK\$'000		Carnival operation HK\$'000 (Re-presented)	
Revenue from external customers	1,826	2,071	1,236	5,133	-	5,133
Segment result	(36,155)	(20,170)	1,194	(55,131)	-	(55,131)
Unallocated income and gains, net				984	-	984
Unallocated expenses				(46,330)	-	(46,330)
Loss from operations				(100,477)	-	(100,477)
Finance costs				(1,062)	-	(1,062)
Loss before taxation				(101,539)	-	(101,539)
Income tax credit				3,447	-	3,447
Loss after taxation				(98,092)	-	(98,092)
Gain on deconsolidation of a subsidiary				-	6,437	6,437
Loss for the year				(98,092)	6,437	(91,655)
Segment assets	216,146	74,994	9,503	300,643	-	300,643
Unallocated assets				108,244	-	108,244
Total assets				408,887	-	408,887
Segment liabilities	14,391	159	284	14,834	-	14,834
Unallocated liabilities				55,113	-	55,113
Total liabilities				69,947	-	69,947
Other segment information:						
Depreciation	1,815	-	-	1,815	-	1,815
Amortisation of prepaid premium for land leases	5,770	-	-	5,770	-	5,770
Impairment loss on amount due from a director	227	-	-	227	-	227
Impairment loss on completed properties held for sale	244	-	-	244	-	244
Impairment loss on mortgage loan receivables	544	-	-	544	-	544
Impairment loss on other receivables, deposits and prepayments	4,927	-	-	4,927	-	4,927
Impairment loss on properties under development	26,733	-	-	26,733	-	26,733
Fair value loss on investment properties	-	22,241	-	22,241	-	22,241
(Gain) on deconsolidation of a subsidiary	-	-	-	-	(6,437)	(6,437)
Capital expenditure	11	-	-	11	-	11

(b) Geographic information

The Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC. No geographical segment information is presented as the Group's assets and liabilities are substantially located in the PRC.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2008	27,882	4,533	287	1,617	34,319
Exchange differences	1,535	113	16	36	1,700
Additions	-	11	-	-	11
Transfer from completed properties held for sale (note 22)	127	-	-	-	127
Disposals	(1,200)	(997)	-	-	(2,197)
At 31 December 2008	<u>28,344</u>	<u>3,660</u>	<u>303</u>	<u>1,653</u>	<u>33,960</u>
At 1 January 2009	28,344	3,660	303	1,653	33,960
Acquisition of subsidiaries (note 27)	-	-	-	184	184
Additions	-	24	26	793	843
At 31 December 2009	<u>28,344</u>	<u>3,684</u>	<u>329</u>	<u>2,630</u>	<u>34,987</u>
Accumulated depreciation					
At 1 January 2008	7,212	3,411	279	1,336	12,238
Exchange differences	299	69	21	18	407
Charge for the year	1,304	416	-	95	1,815
Written back on disposals	(329)	(784)	-	-	(1,113)
At 31 December 2008	<u>8,486</u>	<u>3,112</u>	<u>300</u>	<u>1,449</u>	<u>13,347</u>
At 1 January 2009	8,486	3,112	300	1,449	13,347
Charge for the year	1,363	257	8	313	1,941
At 31 December 2009	<u>9,849</u>	<u>3,369</u>	<u>308</u>	<u>1,762</u>	<u>15,288</u>
Carrying value					
At 31 December 2009	<u>18,495</u>	<u>315</u>	<u>21</u>	<u>868</u>	<u>19,699</u>
At 31 December 2008	<u>19,858</u>	<u>548</u>	<u>3</u>	<u>204</u>	<u>20,613</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

The carrying amount of the buildings, all being held on long term leases, comprises:

	2009	2008
	HK\$'000	HK\$'000
Buildings situated in the PRC	<u>18,495</u>	<u>19,858</u>

Buildings situated in the PRC mainly represent car park spaces and other facilities built in the construction projects.

The Company

	Leasehold improvements
	HK\$'000
Cost	
Additions and at 31 December 2009	<u>26</u>
Accumulated depreciation	
Charge for the year and at 31 December 2009	<u>7</u>
Carrying value	
At 31 December 2009	<u>19</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	73,858	90,391
Exchange differences	–	5,364
Transfer from completed properties held for sale (note 22)	–	344
Fair value gain/(loss) on investment properties	3,946	(22,241)
Disposals	(9,339)	–
At 31 December	68,465	73,858

Investment properties of the Group were revalued as at 31 December 2009 and 2008 on an open market value basis calculated using the Comparison Approach assuming sales in their existing states with the benefit of vacant possession and by reference to comparable sales/rental evidence as available in the relevant markets. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

All of the investment properties are situated in the PRC and held on long term leases.

The carrying amounts of investment properties approximate their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15 PREPAID PREMIUM FOR LAND LEASES

The Group

	Leasehold land in PRC HK\$'000	Leasehold land in Hong Kong HK\$'000	Total HK\$'000
Cost			
At 1 January 2008	190,101	4,100	194,201
Exchange differences	11,896	–	11,896
Additions	867	–	867
Disposals	–	(4,100)	(4,100)
At 31 December 2008	<u>202,864</u>	<u>–</u>	<u>202,864</u>
At 1 January 2009	202,864	–	202,864
Additions	<u>113</u>	<u>–</u>	<u>113</u>
At 31 December 2009	<u>202,977</u>	<u>–</u>	<u>202,977</u>
Accumulated amortisation and impairment			
At 1 January 2008	10,359	356	10,715
Exchange differences	748	–	748
Charge for the year	5,675	95	5,770
Written back on disposals	<u>–</u>	<u>(451)</u>	<u>(451)</u>
At 31 December 2008	<u>16,782</u>	<u>–</u>	<u>16,782</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15 PREPAID PREMIUM FOR LAND LEASES (Continued)

The Group (Continued)

	Leasehold land in PRC HK\$'000	Leasehold land in Hong Kong HK\$'000	Total HK\$'000
At 1 January 2009	16,782	–	16,782
Charge for the year	<u>5,561</u>	<u>–</u>	<u>5,561</u>
At 31 December 2009	<u>22,343</u>	<u>–</u>	<u>22,343</u>
Carrying value			
At 31 December 2009	<u>180,634</u>	<u>–</u>	<u>180,634</u>
At 31 December 2008	<u>186,082</u>	<u>–</u>	<u>186,082</u>
		2009	2008
		HK\$'000	HK\$'000
Leases of over 50 years – PRC		12,952	12,839
Leases of between 10 to 50 years – PRC		<u>167,682</u>	<u>173,243</u>
		<u>180,634</u>	<u>186,082</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15 PREPAID PREMIUM FOR LAND LEASES (Continued)

The Group (Continued)

- (a) Leasehold land in the PRC comprises the cost of acquiring rights to use land in the PRC for property development over fixed periods.
- (b) Amortisation of prepaid premium for land leases is recognised as an expense on a straight-line basis over the unexpired period of the land leases.
- (c) The leasehold land in the PRC held under long term leases of HK\$12,952,000 (2008: HK\$12,839,000) comprises parcels of land in Dongguan. The land use right certificates are registered under the name of co-operative partners (see also note 16(b)).
- (d) The leasehold land in the PRC held under a medium term lease in the amount of HK\$167,682,000 (2008: HK\$173,243,000) represents the Group's 50% interest in a parcel of land in Shenzhen.

Due to lack of development on the land site, there is possibility that the land may be repossessed by the local government, details of which are disclosed in the Company's announcement dated 6 November 2009.

The Group is in the process of assessing whether any appropriate measures could be taken to avoid the repossession, but is unable to ascertain the likelihood of the repossession for the time being (note 33(c)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16 PROPERTIES UNDER DEVELOPMENT

	The Group	
	2009 HK\$'000	2008 HK\$'000
Development and incidental costs	31,791	31,791
Interest capitalised	7,411	7,411
	39,202	39,202
Less: Provision for impairment loss (note 16(c))	(26,733)	(26,733)
	12,469	12,469

The carrying amounts of properties under development are analysed as below:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Property development projects with co-operative partner (note 16(b))	–	–
Property development project on its own	12,469	12,469
	12,469	12,469

- (a) The balance represents the costs incurred by the Group on the properties under construction in the PRC.
- (b) Under the contracts of property development projects entered into between the Group and the co-operative partner, the co-operative partner was responsible for making available the land use rights of the construction sites while the Group was responsible for the construction of these properties.
- (c) A provision for impairment of properties under development, in an aggregate amount of HK\$26,733,000, was made as at 31 December 2009 as, in the opinion of the directors, the piling and foundation works for which development costs were incurred were no longer useful for contemporary building development.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	<u>159,056</u>	<u>159,056</u>
Amounts due from subsidiaries	257,178	261,879
Less: Provision for impairment loss	<u>(121,795)</u>	<u>(71,795)</u>
	<u>135,383</u>	<u>190,084</u>
Amount due to a subsidiary	<u>(22,807)</u>	<u>(11,377)</u>

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1999.

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Group's subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Place/country of Incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest		Principal activities
			Directly	Indirectly	
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Grand Field Group Limited	Hong Kong	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200	–	100%	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited	PRC	RMB19,232,100	–	100%	Property development
Ka Fong Industrial Company Limited	Hong Kong/PRC	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200,000	–	100%	Property development
Kwan Cheung Holdings Limited	Hong Kong/PRC	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200	–	100%	Property development
Shing Fat Hong Limited	Hong Kong/PRC	Ordinary shares of HK\$4 and non-voting deferred shares of HK\$2	–	100%	Property development

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place/country of Incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest		Principal activities
			Directly	Indirectly	
Grand Field New Energy Company Limited	Hong Kong	HK\$2	–	100%	Property holding
Yuan Cheng Real Estate (Shenzhen) Limited	PRC	HK\$50,000,000	–	100%	Property management, information services and property agent
Metro China Investment Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Dormant
China Max Group Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
China Maxline Limited	Hong Kong	HK\$1	–	100%	Investment holding
Sharp Gain Limited*	Hong Kong	HK\$1	–	100%	Investment holding
豐盛發貿易(深圳) 有限公司*	PRC	RMB8,000,000	–	100%	Dormant

* Acquired during the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

18 MORTGAGE LOAN RECEIVABLES

	The Group	
	2009 HK\$'000	2008 HK\$'000
Total loan receivables (note 18(a))	10,817	12,695
Less: Provision for impairment loss (note 18(b))	<u>(8,329)</u>	<u>(8,169)</u>
	2,488	4,526
Less: Current portion classified as current assets	<u>(1,014)</u>	<u>(1,770)</u>
Balance due after one year	<u><u>1,474</u></u>	<u><u>2,756</u></u>

Mortgage loan receivables represent the interest-free loans provided by the Group to the purchasers of properties which are repayable by instalments as stipulated in the loan agreement. The loans are secured by the purchasers' properties. Pursuant to the terms of the sale and purchase agreements, upon default in installment payments by purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All of the mortgage loan receivables are denominated in Renminbi.

The carrying amounts of the current portions and non-current portions of mortgage loan receivables approximate their fair values. The fair value is determined based on cash flows discounted using the bank borrowings rate of 5.310% per annum (2008: 5.913% per annum).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

18 MORTGAGE LOAN RECEIVABLES (Continued)

(a) Maturity analysis

	The Group	
	2009 HK\$'000	2008 HK\$'000
Total mortgage loans are receivable as below:		
Within one year	2,723	3,553
In more than one year but less than five years	8,094	9,142
	<u>10,817</u>	<u>12,695</u>

(b) Impairment of mortgage loan receivables

The movement in the provision for impairment loss during the year, including discounting effect, both specific and collective loss components, is as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	8,169	7,520
Exchange differences	–	105
Impairment loss recognised	160	544
At 31 December	<u>8,329</u>	<u>8,169</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

18 MORTGAGE LOAN RECEIVABLES (Continued)

(c) Mortgage loan receivables that are not impaired

An analysis of mortgage loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Full performing under credit terms, impaired as discounted	2,488	4,526
Past due and impaired	—	—
	<u>2,488</u>	<u>4,526</u>

19 GOODWILL

	The Group HK\$'000
Cost	
Additions (note 27) and at 31 December 2009	<u>997</u>
Accumulated impairment losses	
Provision for the year and at 31 December 2009	<u>997</u>
Carrying value	
At 31 December 2009	<u>—</u>

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(Expressed in Hong Kong dollars)

20 PLEDGED BANK DEPOSITS

The pledged bank deposits as at 31 December 2008 represented the bank deposits pledged as a security for bank loans (note 26(a)). As the deposits were to be pledged for more than twelve months, the balance was classified as non-current assets. These pledged bank deposits were released upon full repayment of the bank loans during the year.

All of the pledged bank deposits were denominated in Renminbi.

21 OTHER NON-CURRENT ASSETS

	The Group	
	2009 HK\$'000	2008 HK\$'000
Security deposit for property management services (note 21(a))	9,091	9,091
Security deposits for construction projects (note 21(b))	–	11,364
Less: Provision for impairment loss	(8,864)	–
	227	20,455
Less: Current portion classified as current assets (note 23)	(227)	(5,682)
	–	14,773

- (a) On 25 March 2008, the Group's wholly owned subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng"), entered into an agreement with Dongguan City Hua Jia Fu Industry and Trading Limited ("Hua Jia Fu") and Dongguan City Min Tai Industry and Investment Limited for provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 for a term of 2 years. Yuan Cheng made a security deposit of RMB8,000,000 (equivalent to HK\$9,091,000), which is refundable at the expiry of the contract on 31 March 2010. Details of the transaction are disclosed in the Company's announcement dated 14 April 2008.

Subsequent to the balance sheet date, part of the deposit of RMB200,000 (equivalent to HK\$227,000) has been refunded in cash to the Group. In the opinion of the directors, the recoverability of the remaining amount of RMB7,800,000 (equivalent to HK\$8,864,000) is uncertain and an allowance of impairment loss has been made against the remaining deposit in 2009.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21 OTHER NON-CURRENT ASSETS (Continued)

- (b) On 17 June 2008, Yuan Cheng entered into a co-operation framework agreement with Shenzhen Zhong Cheng Construction Engineering Company Limited (“Zhong Cheng”), pursuant to which Yuan Cheng appoints Zhong Cheng as the main contractor of construction projects to which Yuan Cheng refers, and acts as project manager to provide management services for the construction projects. Zhong Cheng shall undertake all construction projects referred by Yuan Cheng and provide building construction services, piling foundation, site formation, civil engineering and fitting-out services. Yuan Cheng paid a security deposit of RMB5,000,000 (equivalent to HK\$5,682,000) to Zhong Cheng and Zhong Cheng shall render 10% of the deposits, RMB500,000 (equivalent to HK\$568,000), as an annual charge in consideration of the services provided and distribute 90% of the profits after tax generated from the construction projects carried out under the construction licence of Zhong Cheng. Zhong Cheng has undertaken the annual profits after tax shall not be less than RMB500,000 (equivalent to HK\$568,000). This co-operation framework agreement is effective for 10 years, at the end of which the RMB5,000,000 (equivalent to HK\$5,682,000) deposit will be refunded. Details of the transaction are disclosed in the Company’s announcements dated 17 and 18 June 2008.

Against this co-operation framework agreement, on 7 July 2008, Yuan Cheng signed a services and investment contract with Zhong Cheng to act as a project manager to provide engineering support and consultancy services for 深圳鴻邦科技工業廠區工程項目(龍崗項目) of 深圳翠濤電子科技有限公司 while Zhong Cheng provides building and construction services and building materials for 龍崗項目. According to the terms of agreement, Yuan Cheng paid a deposit of RMB5,000,000 (equivalent to HK\$5,682,000) to Zhong Cheng and Zhong Cheng would distribute 90% of profit after tax generated from the project to Yuan Cheng. The contract lasts for 10 months, at end of which the deposit will be refunded and the results of the project be calculated.

The above agreements were cancelled and the deposits of RMB10,000,000 (equivalent to HK\$11,364,000) were fully refunded in cash to the Group in 2009.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22 COMPLETED PROPERTIES HELD FOR SALE

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	17,074	18,585
Exchange differences	–	1,043
Cost of properties sold recognised for the year	(656)	(2,083)
Transfer to investment properties	–	(344)
Transfer to property, plant and equipment	–	(127)
At 31 December	16,418	17,074
Less: Provision for impairment loss	(287)	(649)
	<u>16,131</u>	<u>16,425</u>

All of the completed properties held for sale are situated in the PRC, are carried at cost and are held on long term leases.

The carrying amounts of completed properties held for sale approximate their fair values.

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(Expressed in Hong Kong dollars)

23 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade receivables (note 23(b))	720	412	–	–
Other receivables	2,931	3,652	–	–
Amount receivable on sale of investment properties	4,977	–	–	–
Amount receivable on sale of leasehold property (note 23(c))	–	4,965	–	–
Loan receivables (note 23(d))	–	7,966	–	–
Deposit for purchase of property (note 23(e))	568	5,682	–	–
Deposit for development project (note 23(f))	–	6,818	–	–
Deposit for purchase of companies (note 23(g))	–	1,295	–	–
Security deposit for property management services (note 21(a))	227	–	–	–
Security deposits for construction projects (note 21(b))	–	5,682	–	–
Retainer money on accounts with solicitors for legal cases	–	1,200	–	1,200
Other deposits and prepayments	2,274	3,693	781	371
	11,697	41,365	781	1,571

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year. The carrying amounts of trade and other receivables approximate their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23 TRADE AND OTHER RECEIVABLES (Continued)

(a) Currency analysis

The carrying amounts of trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong dollars	781	6,932	781	1,571
Renminbi	10,916	34,433	–	–
	<u>11,697</u>	<u>41,365</u>	<u>781</u>	<u>1,571</u>

(b) Ageing analysis

An ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Current, neither past due nor impaired	<u>720</u>	<u>412</u>

- (c) In 2008, the Group disposed of its leasehold land and buildings in Hong Kong and furniture and fixture attached thereto, at a consideration of HK\$5,050,000, recognising a gain of HK\$300,000 in the consolidated income statement.

The amount receivable represented the net proceeds from disposal of the property being held in trust by the Group's solicitors. The amount were fully received in cash in 2009.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23 TRADE AND OTHER RECEIVABLES (Continued)

- (d) In 2008, the Group entered into an agreement with Shenzhen Zhong Cheng Construction Engineering Company Limited (“Zhong Cheng”) to grant unsecured loans and charge interest rates ranging from 18% to 30% per annum. The loans have been fully repaid in 2009.
- (e) Pursuant to a memorandum entered into with 深圳市寶瀾投資股份有限公司 (“深圳市寶瀾”) dated 1 December 2008, Yuan Cheng made a deposit of RMB5,000,000 (equivalent to HK\$5,682,000) with 深圳市寶瀾 in connection with a possible property project “華僑新苑” in Shenzhen developed by 深圳市寶瀾. The memorandum sets out a 1-year period, during which Yuan Cheng has an option to purchase the property at a consideration of RMB89,871,700 (equivalent to HK\$102,127,000) or to be reimbursed the deposit should Yuan Cheng not proceed with the property purchase.

Yuen Cheng has not further proceeded the property purchase and part of the deposit of RMB300,000 (equivalent to HK\$341,000) has been refunded in cash to the Group in 2009. Subsequent to the balance sheet date, another part of the deposit of RMB500,000 (equivalent to HK\$568,000) has been refunded in cash to the Group. In the opinion of the directors, the recoverability of the remaining amount of RMB4,200,000 (equivalent to HK\$4,773,000) is uncertain and an allowance of impairment loss has been made against the remaining deposit in 2009.

- (f) Pursuant to a letter of intent entered into with 深圳市東海怡景投資有限公司 (“東海怡景”) dated 1 December 2008, Metro China Investment Limited (“Metro China”), a subsidiary of the Company, made a deposit of RMB6,000,000 (equivalent to HK\$6,818,000) with 東海怡景 to explore the development of a land owned by 東海怡景 and is specified for tourism projects. The letter of intent sets out a 240-day period, during which Metro China has an option to participate in the development project through acquisition of the shares of 東海怡景 or to be reimbursed the deposit should Metro China not proceed with the acquisition. The project was cancelled and the deposit was fully refunded in cash to the Group in 2009.
- (g) On 17 October 2008, China Max Group Limited, a wholly owned subsidiary of the Company, made a deposit of RMB1,140,000 (equivalent to HK\$1,295,000) for a motor vehicle with registration licenses both in Hong Kong and Shenzhen, through acquisition of a Hong Kong company and a PRC company. The acquisition was completed in 2009 and the deposit was recognised as cost of investments in subsidiaries in 2009 (note 27).

Notes to the Financial Statements

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24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash at bank and in hand	1,909	10,780	215	43
Less: Restricted cash	(1,101)	(1,388)	–	–
Cash and cash equivalents in the balance sheet	808	9,392	215	43
Bank overdrafts (note 26)	–	(1,112)	–	(1,112)
Cash and cash equivalents in the cash flow statement	808	8,280	215	(1,069)

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents and restricted cash approximate their fair values.
- (b) Restricted cash represents guarantee deposits for mortgage loans provided by banks to purchasers of the Group's properties. According to the relevant contracts with banks, the Group is required to place at designated bank accounts certain amount as deposits for potential default in payment of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the respective mortgage loans.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

- (c) The carrying amounts of cash and cash equivalents and restricted cash are denominated in the following currencies:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong dollars	307	2,024	215	43
Renminbi (note 24(d))	1,602	8,756	–	–
	<u>1,909</u>	<u>10,780</u>	<u>215</u>	<u>43</u>

- (d) The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

25 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade payables to building contractors	985	985	–	–
Accrued salaries and other operating expenses	4,558	2,843	2,630	1,206
Accrued legal fees	4,160	–	4,160	–
Deposits received on sale of properties	867	872	–	–
Rental deposits received on investment properties	234	186	–	–
Receipts in advance	139	284	–	–
Amount payable on return of properties	6,653	6,653	–	–
Provision for litigation settlement (note 25(c))	5,389	–	580	–
Other payables	1,646	2,638	–	–
	<u>24,631</u>	<u>14,461</u>	<u>7,370</u>	<u>1,206</u>

All of the trade and other payables are expected to be settled or recognised as an income within one year. The carrying amounts of trade and other payables approximate their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

25 TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis

An ageing analysis of trade payables is set out as follows:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current to 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 360 days	-	-	-	-
Over 360 days	985	985	-	-
	<u>985</u>	<u>985</u>	<u>-</u>	<u>-</u>

(b) Currency analysis

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong dollars	9,162	3,383	7,370	1,206
Renminbi	15,469	11,078	-	-
	<u>24,631</u>	<u>14,461</u>	<u>7,370</u>	<u>1,206</u>

(c) The movement in the provision for litigation settlement during the year is as follows:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At 1 January	-	-	-	-
Provision for the year	6,559	-	1,750	-
Payment during the year	(1,170)	-	(1,170)	-
At 31 December	<u>5,389</u>	<u>-</u>	<u>580</u>	<u>-</u>

Details of the Group's litigations are disclosed in note 33(a).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

26 INTEREST-BEARING BORROWINGS

At 31 December 2009, the interest-bearing borrowings were repayable as follows:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within 1 year or on demand				
– Bank loans, secured (note 26(a))	–	23,000	–	–
– Loans from third party (note 26(b))	1,141	24,501	–	–
– Bank overdrafts	–	1,112	–	1,112
	<u>1,141</u>	<u>48,613</u>	<u>–</u>	<u>1,112</u>

- (a) At 31 December 2008, the bank loans were secured by the Group's bank deposits. The loans were fully repaid in 2009.
- (b) At 31 December 2009, loans from third party were unsecured, interest-bearing at the weighted average effective interest rate of 5.5% (2008: 2%) per annum and repayable within 1 year.
- (c) The carrying amounts of interest-bearing borrowings are denominated in the following currencies:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong dollars	–	1,112	–	1,112
Renminbi	1,141	47,501	–	–
	<u>1,141</u>	<u>48,613</u>	<u>–</u>	<u>1,112</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27 BUSINESS COMBINATION

On 17 October 2008, the Group entered into an agreement to acquire a 100% equity interest in Sharp Gain Limited, which holds a wholly owned subsidiary, 豐盛發貿易(深圳)有限公司, at a cash consideration of RMB1,030,000 (equivalent to HK\$1,170,000). The consideration was paid in 2008 (note 23(g)). The acquisition was completed on 16 July 2009. Sharp Gain Limited has a motor vehicle with registration licenses both in Hong Kong and Shenzhen.

The fair value of the net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair value
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	184	184
Other receivables	65	65
Bank balance	9	9
Other payables	(85)	(85)
Net assets acquired	173	173
Goodwill (note 19)		997
Total consideration		1,170
Satisfied by:		
Deposit paid		1,170
		HK\$'000
Net cash inflow on acquisition of subsidiaries		
Cash and cash equivalent balance acquired		9

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 23 June 2006 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of HK\$1 to subscribe for shares of the Company. The options have no vesting conditions and are exercisable within a period of three years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

- (a) The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Contractual life of options
Options granted to directors:		
– on 21 August 2008	90,000,000	3 years
– on 21 October 2008	14,500,000	3 years
Options granted to employees:		
– on 21 August 2008	24,200,000	3 years
– on 21 October 2008	41,500,000	3 years
Options granted to third party:		
– on 21 August 2008	–	3 years
– on 21 October 2008	25,000,000	3 years
Total share options	<u>195,200,000</u>	

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2009		2008	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HK\$0.1548	203,900,000	–	–
Granted during the year	–	–	HK\$0.1548	203,900,000
Lapsed during the year	HK\$0.1724	<u>(8,700,000)</u>	–	<u>–</u>
Outstanding at the end of the year	HK\$0.1540	<u>195,200,000</u>	HK\$0.1548	<u>203,900,000</u>
Exercisable at the end of the year	HK\$0.1540	<u>195,200,000</u>	HK\$0.1548	<u>203,900,000</u>

The options outstanding at 31 December 2009 had an exercise price of HK\$0.1280 or HK\$0.1724 (2008: HK\$0.1280 or HK\$0.1724) and a weighted average remaining contractual life of 1.8 years (2008: 2.7 years).

(c) Fair value of share options and assumptions

The fair value of services received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	Lot one as at	Lot two as at
	21 August 2008	21 October 2008
Fair value at measurement date	HK\$0.0718	HK\$0.0539
Share price	HK\$0.1540	HK\$0.1150
Exercise price	HK\$0.1724	HK\$0.1280
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	87.16%	87.68%
Option life (expressed as weighted average life used in the modeling under binomial lattice model)	3 years	3 years
Expected dividends	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	<u>2.397%</u>	<u>1.856%</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions (Continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Enterprise Income Tax payable in the PRC	531	617
Land Appreciation Tax payable in the PRC	3,113	3,104
	<u>3,644</u>	<u>3,721</u>

Reconciliation to the consolidated balance sheet:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Tax recoverable	(459)	–
Tax payable	4,103	3,721
	<u>3,644</u>	<u>3,721</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

- (b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of investment properties	
	2009 HK\$'000	2008 HK\$'000
Deferred tax arising from:		
At 1 January	3,110	6,272
Exchange differences	–	389
Credit to the consolidated income statement	(1,097)	(3,551)
At 31 December	<u>2,013</u>	<u>3,110</u>

- (c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$42,332,000 (2008: HK\$28,392,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unrecognised tax losses will expire during 2010 to 2014 (2008: 2009 to 2013).

30 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The components of the Group's consolidated equity and their movements during the year are set out in the consolidated statement of changes in equity.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movement in components of equity (Continued)

The components of the Company's equity and their movements during the year are set out below:

The Company

	Share capital (note 30(c)) HK\$'000	Share premium (note 30(d)(i)) HK\$'000	Share option reserve (note 30(d)(ii)) HK\$'000	Contributed surplus (note 30(d)(v)) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at						
1 January 2008	50,336	261,949	–	140,281	(33,326)	419,240
Equity-settled share- based transactions	–	–	13,190	–	–	13,190
Total comprehensive loss of the year	–	–	–	–	(95,413)	(95,413)
Balance at						
31 December 2008 and 1 January 2009	50,336	261,949	13,190	140,281	(128,739)	337,017
Transfer on lapse of share options	–	–	(625)	–	625	–
Total comprehensive loss for the year	–	–	–	–	(71,782)	(71,782)
Balance at						
31 December 2009	<u>50,336</u>	<u>261,949</u>	<u>12,565</u>	<u>140,281</u>	<u>(199,896)</u>	<u>265,235</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2009 (2008: HK\$nil).

(c) Share capital

	2009		2008	
	No. of shares (‘000)	HK\$‘000	No. of shares (‘000)	HK\$‘000
Authorised:				
Ordinary shares of HK\$0.02 each	<u>5,000,000</u>	<u>100,000</u>	<u>5,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	<u>2,516,810</u>	<u>50,336</u>	<u>2,516,810</u>	<u>50,336</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

(v) Contributed surplus

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would be after the payments, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Distributability of reserves

In the opinion of the directors, the Company's reserves available for distribution to equity shareholders are as follows:

	The Company	
	2009 HK\$'000	2008 HK\$'000
Contributed surplus	140,281	140,281
Accumulated losses	(199,896)	(128,739)
	<u>N/A</u>	<u>11,542</u>

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management (Continued)

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

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current liabilities:				
Payables and other borrowings	29,917	66,837	7,412	1,248
Add/less: cash and cash equivalents	(808)	(9,392)	(215)	1,069
Net debt	29,109	57,445	7,197	2,317
Total equity and adjusted capital	282,021	338,940	265,235	337,017
Gearing ratio	10%	17%	3%	1%

The improvement in gearing ratio at 31 December 2009 is due to settlement of payables and other borrowings.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its mortgage loans and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of mortgage loans and other receivables in order to minimise the credit risk. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk in relation to mortgage loans and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from mortgage loan receivables are set out in note 18.

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the guarantee deposits placed with banks by the Group as set out in note 24, the Group does not provide any guarantees which would expose the Group to credit risk.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

The Group is exposed to significant liquidity risk. During the year, the Group's cash and cash equivalents decreased from HK\$9,392,000 as at 31 December 2008 to HK\$808,000 as at 31 December 2009. The maintenance of the Group as a going concern is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	Balance sheet carrying amount HK\$'000	2009 Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	Balance sheet carrying amount HK\$'000	2008 Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
The Group						
Trade and other payables	24,631	24,631	24,631	14,461	14,461	14,461
Interest-bearing borrowings	1,141	1,141	1,141	48,613	48,613	48,613
Dividend payable	42	42	42	42	42	42
	<u>25,814</u>	<u>25,814</u>	<u>25,814</u>	<u>63,116</u>	<u>63,116</u>	<u>63,116</u>
The Company						
Other payables	7,370	7,370	7,370	1,206	1,206	1,206
Amount due to subsidiary	22,807	22,807	22,807	11,377	11,377	11,377
Bank overdrafts, secured	-	-	-	1,112	1,112	1,112
Dividend payable	42	42	42	42	42	42
	<u>30,219</u>	<u>30,219</u>	<u>30,219</u>	<u>13,737</u>	<u>13,737</u>	<u>13,737</u>

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest-rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowing issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at 31 December 2009 and 2008, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, loss for the current/prior year would have been increased/decreased by HK\$11,000 and HK\$352,000, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(d) Foreign currency risk

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group seeks to finance these investments by Renminbi borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce exposure should the market conditions require.

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

32 COMMITMENTS

- (a) The capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Contracted but not provided for:		
Premium for land leases	<u>296</u>	<u>410</u>

- (b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within one year	648	710	648	–
In the second to fifth years inclusive	<u>324</u>	–	<u>324</u>	–
	<u>972</u>	<u>710</u>	<u>972</u>	<u>–</u>

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 2 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

32 COMMITMENTS (Continued)

(c) Properties leased out under operating leases

The Group leases out investment property under operating leases. The leases typically run for an initial period of one to eight years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within one year	1,062	1,156
In the second to fifth years inclusive	2,221	3,317
Over five years	504	–
	<u>3,787</u>	<u>4,473</u>

33 CONTINGENT LIABILITIES

(a) Litigation

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates

1. On 6 June 2008, the Company was served with a writ of summons ("Originating Summons") by Mr. Tsang Wai Lun, Wayland, a former director and shareholder of the Company, alleging that in a transaction entered into in March 2008 by Yuan Cheng with Hua Jia Fu and Dongguan City Min Tai Industry and Investment Limited in provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 (equivalent to HK\$1,648,000) for a term of 2 years, a refundable security deposit of RMB8,000,000 (equivalent HK\$9,091,000) which Yuan Cheng made with Hua Jia Fu, was abused or mishandled.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33 CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

1. (Continued)

On 25 February 2009, the Originating Summons was revised and issued by Mr. Tsang in the name of the Company in accordance with section 168BC of the Hong Kong Companies Ordinance against the then directors, Mr. Chu King Fai, Mr. Huang Bing Huang, Mr. Au Kwok Chuen Vincent, Mr. Hwang Ho Tyan, Mr. Zhao Juqun, Mr. Yang Biao, Dr. Wong Yun Kuen and Mr. Mok King Tong and the Company, alleging that the then directors had breached their fiduciary duties in relation to (i) the passing of the following resolutions of the Board, (aa) the resolution passed on or about 14 January 2008 to approve the remittance of HK\$50,000,000 to Yuan Cheng, (bb) the resolution passed on or about 27 May 2008 to sanction the acquisition of the Yangzhou Project from Min Tai Development at HK\$88,000,000 with an up-front payment of HK\$5,000,000 paid out of funds of Yuan Cheng, (cc) the resolution passed on or about 15 March 2008 to sanction the entry of management services agreement by Yuan Cheng with Hua Jia Fu and Dongguan City Min Tai Industry and Investment Limited, which involved an upfront payment of RMB8,000,000 (equivalent to HK\$9,091,000) by Yuan Cheng, (dd) the resolution passed on 27 May 2008 to sanction the entry of a cooperation framework agreement by Yuan Cheng with Zhong Cheng which involved an up-front payment of RMB5,000,000 (equivalent to HK\$5,682,000); (ii) the transfer of HK\$50,000,000 to Yuan Cheng and to put the said HK\$50,000,000 under the control of Yuan Cheng; (iii) the delivery of the financial documents of Yuan Cheng, including cheque books, chops and seals, bank cards, keys to safe deposit boxes to Madam Cheng Lai Yin; (iv) the failure and/or refusal to conduct any proper inquiry or due diligence into the proposed acquisition of the Yangzhou Project and/or the entire share capital of Min Tai Development; (v) the entering into of the placing agreement dated 14 July 2008 whereby the Company conditionally agreed to place 100,000,000 shares in the Company at the price of HK\$0.16 per share in order to finance the proposed acquisition of the Yangzhou Project; (vi) the failure to cause Yuan Cheng and/or the Company to recover the earnest money in the amount of HK\$5,000,000 from Min Tai Development in accordance with the letter of intent dated 23 June 2008 within 10 days after the Yangzhou Project fell through on 30 September 2008; (vii) the payment of the amount of RMB8,000,000 (equivalent to HK\$9,091,000) by Yuan Cheng to Hua Jia Fu; (viii) the failure and/or refusal to conduct any or any proper inquiry into the terms of the Cooperation Framework Agreement and the payment of RMB5,000,000 (equivalent to HK\$5,682,000) deposit on 23 June 2008 pursuant to the Cooperation

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33 CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

1. (Continued)

Framework Agreement; (ix) the payment of the sums of RMB10,000,000 (equivalent to HK\$11,364,000) and RMB7,000,000 (equivalent to HK\$7,955,000) by Yuan Cheng to Zhong Cheng on or about 15 July 2008 and 29 August 2008 respectively; (x) the transfer of sums totaling RMB33,100,000 (equivalent to HK\$37,614,000) between Yuan Cheng and Shenzhen Hua Ke Nano-Technology Development Company Limited from 30 April 2008 to 23 June 2008; and (xi) the passing of the resolutions on 15 and 20 November 2008 sanctioning Grand Field Property Development (Shenzhen) Company Limited ("Grand Field Shenzhen"), a wholly owned subsidiary of the Group, to borrow up to RMB50,000,000 (equivalent to HK\$56,818,000) to repay a loan owed to Yuan Cheng and to use the balance as operation capital of the Company. On the basis of these allegations, Mr. Tsang sought, inter alia, (i) a declaration that the decisions of the then directors to pass the Resolutions purportedly as board resolutions of the Company was not made bona fide in the interest of the Company; (ii) an order that the Resolutions be set aside, further or alternatively, a declaration that the Resolutions are invalid, null and void and of no legal effect; (iii) damages and/or equitable compensation, interest, costs and further and/or other relief; (iv) restitution of payments received directly or indirectly by the then directors, or any of them in breach of their fiduciary duties; (v) an account and/or inquiry of all payments, profits made and/or benefits received directly or indirectly as a result of their breaches of their fiduciary duties and an order for payment of all sums and delivery up of all assets found due upon the said inquiry or taking of the said account; and (vi) an injunction against the then directors restraining each of them from continuing as the Company's directors and/or exercising the powers as director. No judgment has been made as at the date of these financial statements. In the opinion of the directors, the defendant directors have either resigned or re-designated as non-executive directors and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33 CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

2. On 10 August 2008, a writ of summons was issued by Mr. Tsang against the Company in relation to the resolutions passed in the Annual General Meeting held on 18 June 2008 and in a Special General Meeting held on 25 June 2008. Mr. Tsang sought, inter alias, (i) an order to set aside the resolutions passed at the Annual General Meeting held on 18 June 2008 to grant general mandate for allotment and issue of 20% new share, and repurchase of 10% shares, and a declaration of the resolutions being invalid and null and void and of no legal effect; and (ii) an order to set aside the resolutions passed at a Special General Meeting held on 25 June 2008 in favour of election of Mr. Zhao Yang, Mr. Zhao Juqun, Mr. Yang Biao and Mr. Mok King Tong, and against the election of Mr. Huang Dennis Chong, Mr. Lim Francis, Mr. David Chiping Chow, Mr. Wong Ching Wan as directors of the Company, and a declaration of the resolutions being invalid and null and void and of no legal effect. No judgment has been made as at the date of these financial statements. In the opinion of the directors, the defendant directors have either resigned or re-designated as non-executive directors and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

3. On 26 August 2008, the Company received a writ of summons by Mr. Tsang against the Company, its subsidiaries, Grand Field Group Holdings (BVI) Limited, Grand Field Group Limited ("Grand Field-HK"), Ms. Chen Yu, Mr. Hui Zhihua and Mr. Wen Li. Mr. Tsang sought, inter alias, (i) an order to set aside the resolutions dated 28 April 2008 to appoint Ms. Chen Yu, and Mr. Hui Zhihua as directors of Grand Field-HK and declare the resolutions invalid and null and void and of no legal effect; (ii) an order to set aside the resolutions dated 16 July 2008 for appointment of Ms. Chen Yu, Mr. Hui Zhihua and Mr. Wen Li as directors of Grand Field-HK and for ratification and confirmation of the acts and documents one by them, and a declaration that the resolutions are invalid and null and void and of no legal effect; and (iii) damages and/or equitable compensation, interest, costs and further and/or other relief. No judgment has been made as at the date of these financial statements. In the opinion of the directors, the defendant directors have either resigned or re-designated as non-executive directors and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33 CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

On 10 February, 26 February and 25 March 2009, the Company issued announcements in relation to these legal proceedings.

(ii) Unpaid property management fees

On 13 October 2008, a lawsuit was filed against Grand Field Shenzhen, for the unpaid property management fees and accrued interest in an aggregate amount of RMB4,508,000 (equivalent to HK\$5,123,000) in relation to the entire car park lots in Telford Garden in Shenzhen in the Shenzhen Lung Gang People's Court.

Subsequent to the balance sheet date, on 20 January 2010, a settlement has been reached with the plaintiff through mediation, in that Grand Field Shenzhen shall pay a sum of RMB4,231,816 (equivalent to HK\$4,809,000) by 12 equal monthly installments within 12 months from the effective date of the mediation. The amount of HK\$4,809,000 has been provided for in the financial statements for the year ended 31 December 2009.

(iii) Legal proceedings by a tenant

Back in 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000 (equivalent to HK\$5,114,000). However, Shing Fat Hong has appealed to, and sued the tenant, in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000 (equivalent to HK\$2,336,000). In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties. Other legal proceedings between Shing Fat Hong and the tenant are still ongoing.

In the opinion of directors, the aforesaid legal proceedings will have no material impact on the financial position and operation of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33 CONTINGENT LIABILITIES (Continued)

(b) Sales return of properties sold

In the previous years, the Group had provided mortgage loans to purchasers of the Group's properties, which were interest free and repayable by monthly installments in 5 years. Upon default in mortgage payments by these purchasers, the Group shall reach agreement through negotiations with the defaulted purchasers and take over the possession of the relevant properties. In the two financial years of FY2009 and FY2008, there was no property returned to the Group. At 31 December 2009, there were 211 (2008: 246) properties under which mortgage loans were not yet repaid, with an aggregate contractual sales value of HK\$49,997,000 (2008: HK\$58,436,000) and the corresponding cost of sales amounting to HK\$32,537,000 (2008: HK\$39,110,000). In the absence of any reliable information on the probability of loan defaults and property returns, the directors of the Company are unable to estimate the amount of any specific provision against these properties sold in the previous years.

(c) Possible repossession of leasehold land

The Group holds a parcel of leasehold land in Shenzhen with a prepaid premium for land leases amounting to HK\$167,682,000 as at 31 December 2009 which may be repossessed by the local government due to lack of development on the land site.

The group is in the process of assessing whether any appropriate measures could be taken to avoid the repossession, but is unable to ascertain the likelihood of the repossession or whether any liability or penalty would arise in relation to the possible repossession for the time being.

34 MAJOR NON-CASH TRANSACTIONS

In 2009, the Group surrendered a unit of investment property with carrying value of HK\$670,000 as full settlement of a short-term loan of RMB500,000 (equivalent to HK\$568,000) and the related interest and penalty of RMB44,000 (equivalent to HK\$50,000).

As mentioned in notes 23(g) and 27, the Group's deposit of HK\$1,170,000 for the acquisition of subsidiaries paid in 2008 was recognised as cost of investments in subsidiaries on completion of the acquisition in 2009.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The remuneration of the Group's key management personnel is disclosed in note 7 to the financial statements.

(b) Transactions with other related parties

During the year, the Group paid rent of HK\$970,000 (2008: HK\$976,000) to 朱哲, who is the son of a non-executive director of the Company.

36 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

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

(i) *Operating lease commitments – company as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(Continued)*

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

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

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

(iii) Classification between investment properties and properties held for sales

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by the management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as assets under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each balance sheet date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty

The key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below.

(i) *Going concern basis*

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements. Details are set out in note 2(b) to the financial statements.

(ii) *Income taxes*

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

(iii) *Land Appreciation Taxes*

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(iv) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine that amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) *Fair value of investment properties*

Investment properties are revalued at the balance sheet date on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

(vi) *Depreciation*

Depreciation of certain operating assets constitutes a substantial operating cost for the Group. The costs of property, plant and equipment are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimates remaining useful lives and depreciation rates.

Actual economic lives may differ from estimates useful live. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

37 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

38 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the financial statements, there were no other significant events that took place subsequent to 31 December 2009.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters ²
HKFRS 1 (Revised)	First Time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions ²
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HKAS 18 Amendments	Revenue ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues ³
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items ¹
HK(IFRC)-Int 14 Amendments	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁴
HK(IFRC)-Int 4 Amendment	Determination of Length of Lease Term in respect of Hong Kong Land Leases ²

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009 *(Continued)*

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2010 although there is separate transitional provision for each standard.

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that they are not in a position to state whether their adoption will have a significant impact on the Group's or the Company's results of operations and financial position.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 April 2010.

Five Years Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2009.

CONSOLIDATED RESULTS

	Year ended 31 December,				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	4,623	5,133	(6,387)	10,289	10,507
(Loss)/profit before income tax	(57,768)	(95,102)	(41,988)	(24,340)	3,103
Income tax credit/(expense)	849	3,447	(6,255)	141	(68)
(Loss)/profit for the year	(56,919)	(91,655)	(48,243)	(24,199)	3,035

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December,				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Total assets	313,951	408,887	439,098	379,859	375,851
Total liabilities	(31,930)	(69,947)	(45,547)	(65,591)	(53,810)
Net assets	282,021	338,940	393,551	314,268	322,041

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR DEVELOPMENT				
A parcel of land in Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Bai Guo Dong Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Cao Bu Xi Huan Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential and commercial	50%	Planning stage	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Rado Garden Phase II Zhenxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Riviera Garden Phase II Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Tao Ran Ju Xu Jing Zhu Hi-Technology Park Bin Huan Di Road Nan Shan District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A
A unit in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A
Various units in Riviera Garden Phase I Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Rado Garden Phase II Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units and car parking spaces in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A