GREAT CHINA

Great China Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 141)

Annual Report **2009**

Contents

Corporate Information

Directors

Executive Directors

Mr Rustom Ming Yu HO *(Chairman)*
Mr John Ming Tak HO *(Managing Director)*
Mr Patrick Kwok Wai POON
Mr Maung Tun MYINT

Non-Executive Director

Ms Daphne HO

Independent Non-Executive Directors

Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Company Secretary

Mr Percy Kwok Wai FUNG

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Share Registrar

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

Registered Office

Unit D, 26/F, United Centre
No. 95 Queensway
Hong Kong

Audit Committee

Mr David Hon To YU *(Chairman)*
Mr Lawrence Kam Kee YU
Mr Hsu Chou WU

Nomination Committee

Mr John Ming Tak HO *(Chairman)*
Mr Rustom Ming Yu HO
Mr Patrick Kwok Wai POON
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Remuneration Committee

Mr Lawrence Kam Kee YU *(Chairman)*
Mr John Ming Tak HO
Mr David Hon To YU

Stock Code

141

Website

www.greatchinaholdingsltd.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at Boardroom, The Dynasty Club, 7/F, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 14 May 2010 at 9:00 am. A circular containing details of the matters proposed to be dealt with in the aforesaid Annual General Meeting together with other relevant information is sent with this Annual Report to all registered shareholders of the Company.

By order of the Board
Percy Kwok Wai FUNG
Company Secretary

Hong Kong, 26 March 2010

Statement from the Managing Director

Statement from the Managing Director

I am pleased to submit my report on the performance of Great China Holdings Limited (the "Company") and its subsidiaries (collectively, "the Group") for the year ended 31 December 2009.

Business Review

The Group's turnover for the year ended 31 December 2009 was around HK$1,867 million (2008: HK$1,605 million), representing an increase of around 16% from the year ended 31 December 2008. Profit for the year was around HK$154.9 million (2008: HK$50.6 million), representing an increase of around 206% from that of 2008.

Due to the upturn in the property market during the year 2009, the Group recorded an increase of HK$56.6 million (2008: a decrease of HK$3.4 million) in fair value of investment properties. The Group's share of results of associates included the attributable share of fair value gain of HK$16.6 million (2008: HK$4.8 million) on investment properties in Mainland China.

The Group recorded a commendable profit for the year, mainly due to improved results of the fishmeal products trading during the year.

General Trading

Sales in this segment improved significantly to HK$1,834 million in 2009 (2008: HK$1,550 million), recording a segmental profit of HK$82 million as compared to HK$27 million in 2008.

Fishmeal Products

The Group maintained significant growth in fishmeal products trading in 2009. For the year under review, fishmeal sales increased by 23% to HK$1,825 million as compared with the preceding year. Trading in fishmeal products achieved a remarkable profit of around HK$83 million (2008: profit of around HK$26 million).

Since the second half of 2008, as a result of the global financial turmoil, prices of most commodities were substantially adjusted downward. The fishmeal industry was cautious and maintained a minimum level of fishmeal inventory. At the beginning of 2009, the cost of fishmeal products was relatively low compared to other animal and vegetable proteins. The attractive price of fishmeal products thus pushed up the demand further. Additionally, there was a sharp increase in demand of fishmeal products mainly from the European salmon industry in the second half of 2009. All these factors caused an upsurge in the demand of fishmeal products. Meanwhile the supply cycle was stretched by the fact that the Peru government implemented an individual fishing quota system in 2009. In addition, the catch of anchovies, the main raw material of fishmeal products, was affected by a minor El Nino phenomenon and was limited. The imbalance of supply and demand of fishmeal products had driven up the prices of fishmeal products which stayed firm in the remaining part of 2009.

With this change in market environment, the management swiftly made adjustments to its trading strategy and worked closely with our joint venture partners. As a result, the Group has been able to reap the benefits derived from upward price movement.

Tapioca Products

During 2009, the supply of tapioca has slowed down substantially. This was mainly due to the Thai government implementing a new policy for the collection of tapioca chips from farmers. The management, unable to assess the impact of this new policy on the supply and prices of tapioca products, was cautious in the trading of tapioca. As a result there was a drastic drop in 2009 sales of tapioca products by 85% to HK$9 million compared with 2008.

The low margin in the tapioca products was insufficient to cover the selling and administration expenses and a loss of HK$0.6 million for the year under review was recorded (2008: profit of HK$0.8 million).

Property Investment in Hong Kong

Rental income derived from Hong Kong property investment achieved an increase from HK$15 million in 2008 to HK$16 million in 2009.

The upbeat mood in the Hong Kong property market had a positive effect on the revaluation of the Group's properties. As our investments are located in prime locations, the value of the Group's Hong Kong investment properties recorded a revaluation gain before tax of around HK$32.8 million (2008: HK$0.2 million).

The Group acquired Unit F, 57/F, The Masterpiece, No.18 Hanoi Road, Tsimshatsui, Kowloon, Hong Kong for investment purposes during the year for HK$36.5 million. The transaction was completed in February 2010.

Property Investment in Mainland China

The Group disposed of two residential units in City Plaza, Chaoyang District, Beijing for around HK$2.7 million (2008: HK$nil). The sales will be completed in early 2010.

In 2009, rental income from investment properties located in Mainland China was maintained at a steady level at HK$17 million (2008: HK$17 million).

The continuous rise in property prices in Shanghai particularly led to increased market value of our Group's investment properties in 2009, resulting in a revaluation gain of around HK$23.8 million (2008: a revaluation loss of HK$3.5 million) from the revaluation of the Group's investment properties in Mainland China.

As at 31 December 2009, the share of profit of associates of around HK$11.6 million (2008: HK$4.5 million) included the attributable share of fair value gain on investment properties owned by an associate in Mainland China of around HK$16.6 million (2008: HK$4.8 million).

Trading of Properties

During the year 2009, the Group has not disposed of any properties held for sales (2008: sold 5 units with sale proceeds of around HK$22.7 million).

PROSPECTS

General Trading

Recent economic and financial market indicators appeared to be supporting the general view that the worst of this economic crisis may be over and recovery is on the way. However, there are different schools of thought on the pace and scale of recovery. Lingering problems such as unemployment rate, weak consumer demands and volatile equity markets will continue to pose challenges to recovery. Among all these difficulties, China has maintained healthy growth in GDP and a stable economy in 2009.

Overall consumption of fishmeal products around the world may decrease in 2010 due to the current historically high prices of fishmeal products. However, the demand for fishmeal products from specific swine and aquatic (especially shrimp) industries in China should remain steady as fishmeal is one of the best protein sources among animal proteins.

Due to the El Nino phenomenon, the world's climate has changed and the sea water temperature has increased. In order to protect natural resources, the fishing industry around the world has implemented control on fishing quota. As a result, the overall supply of fishmeal products in the future will be limited.

On 27 February 2010, a devastating earthquake at a magnitude of 8.8 hit Southern Chile, where the major fishmeal production is located and caused a lot of damages to the Chilean fishing industry and fishmeal production capability. Fishmeal processing plants and transportation network will take months to rebuild. We expect that there will be a short term disruption in the supply of fishmeal products in the coming seasons. The market for trading in fishmeal products will be volatile and the management will be cautious in managing the fishmeal business.

The management decided to restructure the tapioca business in late 2009 with the aim of improving the trading performance of tapioca. A newly formed team has been actively seeking opportunities in this area and we expect the trading of tapioca to bring in a positive contribution to the Group.

Property Investment

In 2009, there was a rising trend in the property prices in Shanghai. The Group has 43% interest in Da Da Development (Shanghai) Corporation, ("Da Da Development") which owns a compound named Emerald Court in Shanghai. Da Da Development decided that it was a good time to carry out a major refurbishment on these houses and subsequently to dispose of them unit by unit. The renovation work has started and sales are targeted to commence in late 2010. While the management expects a positive contribution to the Group from this project, capital is necessarily reserved for such major refurbishment project.

The Group will take a cautious approach to property investments. The management team will closely monitor our property portfolio to achieve a high occupancy rate and satisfactory rental yield both in Mainland China and Hong Kong.

Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

John Ming Tak HO
Managing Director

Hong Kong, 26 March 2010

Management Discussion and Analysis

Financial Review and Analysis

As at 31 December 2009, the Group's gearing ratio was around 14% (2008: 17%), based on the Group's long term bank borrowings of HK$120 million (2008: HK$122 million) and shareholders' equity of HK$852 million (2008: HK$697 million). As at 31 December 2009, total pledged bank deposit, bank balances and cash on hand were HK$246 million (2008: HK$164 million)

As at 31 December 2009, total bank borrowings of the Group amounted to HK$307 million (2008: HK$353 million) and the maturity profile of the Group's bank borrowings falling due within one year was 61% (2008: 65%) and more than one year was 39% (2008: 35%). The total bank borrowings included secured bank loan of HK$283 million (2008: HK$281 million), trust receipt loan of HK$ nil million (2008: HK$72 million), and there were HK$24 million liabilities associated with bills receivable discounted with recourse (2008: nil). The Group's borrowings were denominated in HK dollars, US dollars and Renminbi ("RMB").

As at 31 December 2009, the Group has available but not yet utilized banking facilities amounting to around HK$773 million (2008: HK$529 million). The aforesaid facilities were secured by the following assets:

- leasehold land and land use rights with aggregate book value of HK$37.7 million (2008: HK$38.0 million);
- property, plant and equipment of HK$6.0 million (2008: HK$6.1 million);
- properties held for sale of HK$13.0 million (2008: HK$12.5 million); and
- investment properties of HK$728.5 million (2008: HK$610.9 million).

Foreign Exchange Exposure

Transactions of the Group are predominantly denominated in HK dollars, US dollars and RMB. During the year, the Group entered into several foreign currency forward contracts with banks to reduce its exposure to the risks of currency fluctuations. Review of the Group's exposure to foreign exchange risks is conducted periodically and derivative financial instruments may be used to hedge against such risks when necessary.

Employee And Remuneration Policies

As at 31 December 2009, the total number of employees of the Group was 87 (2008: 76) with staff costs, excluding directors' remuneration, amounting to HK$12,198,000 (2008: HK$9,682,000). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account comparable levels in the market.

Directors and Senior Management

Biographical Details of Directors and Senior Management

Mr Rustom Ming Yu HO, aged 58, is the Chairman and an executive director of the Company. He is also a member of the Nomination Committee and a director of various subsidiaries of the Company. Mr Rustom HO joined the Group in January 1992. He has held senior management positions in the textiles industry for over 32 years. In addition, Mr Rustom HO is the chairman of Kwong Fong Industries Corporation and a director of Fulcrest Limited (both companies are/are deemed to be the controlling shareholders of the Company) and is the elder brother of Mr John Ming Tak HO (executive director of the Company) and the father of Ms Daphne Ho (non-executive director of the Company).

Mr John Ming Tak HO, aged 56, is the Managing Director and an executive director of the Company. He is also the chairman of the Nomination Committee, a member of the Remuneration Committee and a director of various subsidiaries of the Company. Mr John HO joined the Group in November 1991. He has over 32 years of experience in commodities trading and dealing in securities. Mr John HO is a director of Fulcrest Limited and Asian Pacific Investment Corporation. (these 2 companies are/are deemed to be the controlling shareholders of the Company). In addition, he is the younger brother of Mr Rustom Ming Yu HO (executive director of the Company) and the uncle of Ms Daphne HO (non-executive director of the Company).

Mr Patrick Kwok Wai POON, aged 59, has been an executive director of the Company since 20 April 2006. He is also a member of the Nomination Committee of the Company. Mr POON joined the Group in 1997 and has since then been working at a senior level of the Group's management team. He is also a director of certain subsidiaries of the Company. In addition, he is a director of Fulcrest Limited, a controlling shareholder of the Company. Mr POON has extensive experience in the commodity market and in the banking business and holds a practising licence in property management in the People's Republic of China. He has been overseeing the Group's Shanghai office and monitoring the Group's property business in the People's Republic of China for over 12 years. Mr POON is currently in charge of tapioca trading of the Group.

Mr Maung Tun MYINT (also known as Nelson CHENG), aged 44, was appointed as an executive director of the Company on 1 April 2009. He is also a chief executive officer of the Company's major subsidiaries, such as G.C. Luckmate Trading Limited and G.C. Luckmate Trading (Asia) Limited which are engaged in fishmeal and tapioca trading business. Mr MYINT joined the Group in 2000 and has over 15 years of experience in commodities trading. He holds a Bachelor of Engineering degree in Electronics from San José State University in the United States of America and a Master's degree in Computer Science from Asian Institute of Technology in Thailand.

Ms Daphne Ho, aged 38, was appointed as a non-executive director of the Company on 1 April 2008. She holds a Bachelor of Science degree in Marketing and Advertising from Boston College and a Master of Business Administration degree in Managing Technology and Innovation from Santa Clara University. With extensive experience in strategic marketing and business strategy formulation, she currently assists a number of start-ups and small businesses as a private consultant. In the past, Ms HO has served as key business development roles at several publicly listed companies and was an International Marketing Manager of Kwong Fong Industries Corporation, a controlling shareholder of the Company. In addition, Ms HO is a daughter of Mr Rustom Ming Yu HO (executive director of the Company) and a niece of Mr John Ming Tak HO (executive director of the Company).

Mr Lawrence Kam Kee YU, *BBS, MBE, JP*, aged 64, has been an independent non-executive director of the Company since November 1994. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. Mr Lawrence YU is currently an independent non-executive director of Global Flex Holdings Limited (stock code: 471) and Evergrande Real Estate Group Limited (stock code: 3333) and a senior advisor of China Renji Medical Group Limited (stock code: 648). All of the above three companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr Lawrence YU underwent training at Bayer AG and Cassella AG in Germany and has accumulated many years of senior management experience. Mr Lawrence YU is the honorary life president of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations, and is currently the co-chairman of the Campaign Committee of The Community Chest of Hong Kong, a director of the Hong Kong Football Association Limited, a governor of Hong Kong Automobile Association and the chairman of the Road Safety Campaign Committee of the Road Safety Council.

On 1 October 2009, Mr Lawrence YU resigned as the chairman and executive director of See Corporation Limited (a company listed on the Main Board of the Hong Kong Stock Exchange; stock code: 491), and the chairman and non-executive director of Trasy Gold Ex Limited (a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange; stock code: 8063). In addition, Mr Lawrence YU was appointed as an independent non-executive director of The Hong Kong Building and Loan Agency Limited (a company listed on the Main Board of the Hong Kong Stock Exchange; stock code: 145) on 2 October 2009 and resigned on 2 December 2009.

Mr David Hon To YU, aged 62, has been appointed as an independent non-executive director of the Company since 7 January 1999. He is also the chairman of the Audit Committee and a member of both the Nomination Committee and the Remuneration Committee of the Company. Mr David YU is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr David YU is a founder and director of MCL Capital Limited, which specializes in direct investment and financial advisory activities. Currently, he is also an independent non-executive director of TeleEye Holdings Limited (a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange; stock code: 8051) as well as the following companies listed on the Main Board of the Hong Kong Stock Exchange: Haier Electronics Group Co., Ltd. (stock code: 1169), Hong Kong Energy (Holdings) Limited (stock code: 987), Media Chinese International Limited (which is also listed in Malaysia; Hong Kong stock code: 685, Malaysia stock code: 5090), One Media Group Limited (stock code: 426), Playmates Holdings Limited (stock code: 635), Synergis Holdings Limited (stock code: 2340) and VXL Capital Limited (stock code: 727).

Mr Hsu Chou WU, aged 55, has been appointed as an independent non-executive director of the Company since September 2004. He is also a member of both the Audit Committee and the Nomination Committee of the Company. Mr WU is a member of the Taipei Bar Association. He is currently the chairman of the Eurasia Law Office in Taipei. He is also a medical ethics lecturer in National Defense Medical Center, a committee member of the Medical Ethics Committee in Tri-Service General Hospital, a committee member of the Law and Regulation Commission of the Ministry of the Interior in Taiwan, and a legal consultant of the National Police Agency of the Ministry of the Interior in Taiwan. Mr WU is the author of the book "Far Away From Medical Dispute".

Mr Percy Kwok Wai FUNG, aged 50, is the Chief Financial Officer of the Group and the Company Secretary of the Company. He joined the Group in 2009 and is responsible for the financial management and accounting function of the Group. He holds a Bachelor's degree and is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 24 years of experience in auditing, finance and accounting.

Corporate Governance Report

The Board of Directors and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the review year.

Directors

The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders. During the year ended 31 December 2009, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of director	Number of attendance
Mr Rustom Ming Yu HO	4/4
Mr John Ming Tak HO	4/4
Mr Patrick Kwok Wai POON	4/4
Mr Maung Tun MYINT (appointed on 1 April 2009)	3/3
Mr Lawrence Kam Kee YU	3/4
Mr David Hon To YU	4/4
Mr Hsu Chou WU	4/4
Ms Daphne HO	4/4

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is usually given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings are sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr Rustom Ming Yu HO being the Chairman and Mr John Ming Tak HO being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board. With the support of the Managing Director and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.

Board composition

As at 31 December 2009, the Board consists of four executive directors, three independent non-executive directors and one non-executive director:

Executive directors:
Mr Rustom Ming Yu HO *(Chairman)*
Mr John Ming Tak HO *(Managing Director)*
Mr Patrick Kwok Wai POON
Mr Maung Tun MYINT

Independent non-executive directors:
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Non-executive director:
Ms Daphne HO

On 1 April 2009, Mr. Maung Tun MYINT has been appointed as an executive director of the Company.

More than one-third of the Board are independent non-executive directors and each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent. The relationship among members of the Board is disclosed in "Directors and Senior Management" of this annual report.

Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 9 to 10. The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group.

Responsibilities of Directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with required standards set out in the Model Code throughout the year ended 31 December 2009. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incident of non-compliance was noted by the Company in 2009.

Supply of and Access to Information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting. The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

Nomination Committee

A nomination committee was established by the Company in 2005. The committee is chaired by Mr John Ming Tak HO and Mr Rustom Ming Yu HO, Mr Patrick Kwok Wai POON, Mr Lawrence Kam Kee YU, Mr David Hon To YU and Mr Hsu Chou WU are members. The major responsibilities of the nomination committee include reviewing and approving all new appointments of directors and senior management of the Group, and monitoring the overall adequacy of the Board's composition.

Nomination Committee held two meetings to review the current directors and senior management structure, and to monitor the overall adequacy of the Board's composition. It has been decided no change is required at present. The attendance of each director is set out as follows:

Name of director	Number of attendance
Mr John Ming Tak HO	2/2
Mr Rustom Ming Yu HO	2/2
Mr Patrick Kwok Wai POON	2/2
Mr Lawrence Kam Kee YU	1/2
Mr David Hon To YU	2/2
Mr Hsu Chou WU	2/2

Remuneration Committee

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr Lawrence Kam Kee YU and Mr John Ming Tak HO and Mr David Hon To YU are members. The majority members of committee are independent non-executive directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The directors' emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience for the industry, prevailing market conditions and the Company's performance. During the year ended 31 December 2009, the Remuneration Committee held two meetings, with all committee members present in the meeting.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval. The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2009, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis. The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

Internal Controls

The Board has overall responsibilities for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational system. The system includes a well-established organizational structure with clearly defined lines of responsibility and authority which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

In the opinion of the directors, the size of group does not warrant setting up an internal audit department. However, the Board with the assistance of external experts, Li, Tang, Chen & Co, has conducted a review on the effectiveness of management supervision, compliance of the Code on Corporate Governance Practices, and major areas of the internal control systems and procedures to assure the Board that the system of internal control is functioning as intended. This review also considers the adequacy of resources, qualifications and experience of staff and the Company's accounting and financial reporting function, and their training programmes and budget.

Audit Committee

The Audit Committee comprises the three independent non-executive directors. The Committee is chaired by Mr David Hon To YU who possesses recognized professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. During the year ended 31 December 2009 the Audit Committee held two meetings with attendance record as follows:

Name of member	Number of attendance
Mr David Hon To YU *(Chairman)*	2/2
Mr Lawrence Kam Kee YU	1/2
Mr Hsu Chou WU	2/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 December 2008 and the interim accounts for six months ended 30 June 2009, respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

Remuneration to the External Auditors of the Company

The remuneration paid by the Company to its auditors, Deloitte Touche Tohmatsu, during the year amounted to HK$960,000 which was incurred exclusively for the audit services and HK$310,000 for other services provided by Deloitte Touche Tohmatsu.

Delegation by the Board

Management Functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Board Committees

Audit Committee, Nomination Committee and Remuneration Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authorities and duties.

Communication with Shareholders

Effective Communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting ("AGM"). The sections under "Statement from the Managing Director" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations. To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

Voting by Poll

The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll are explained at the beginning of the meeting. Voting results are posted on the Stock Exchange's and the Company's websites on the date of the AGM.

Directors' Report

The directors have pleasure in presenting to shareholders their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2009.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of animal feed (including fishmeal and tapioca chips), property investment and trading of properties. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 25.

An interim dividend of HK$0.01 per share amounting to HK$2,616,849 was paid to shareholders during the year. The directors recommended the payment of a final dividend of HK$0.01 per share, amounting to HK$2,616,849, for the year to the shareholders of the Company whose names appear on the Register of Members of the Company on Friday, 14 May 2010.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 29.

Movements in the reserves of the Company during the year are set out in note 33 to the consolidated financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the consolidated financial statements.

Principal Properties

Details of the principal properties of the Group at 31 December 2009 are set out on pages 99 and 100.

Subsidiaries and Associates

Details of the Company's subsidiaries and associates at 31 December 2009 are set out in notes 19 and 20 to the consolidated financial statements, respectively.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

Distributable Reserves of the Company

At 31 December 2009, the Company's reserves available for distribution, calculated under Section 79B of the Hong Kong Companies Ordinance, consisted of retained profits of approximately HK$104 million (2008: HK$75 million).

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

Directors

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

Executive Directors
Mr Rustom Ming Yu HO *(Chairman)*
Mr John Ming Tak HO *(Managing Director)*
Mr Patrick Kwok Wai POON
Mr Maung Tun MYINT (appointed on 1 April 2009)

Non-Executive Director
Ms Daphne HO

Independent Non-Executive Directors
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

In accordance with Article 104(A) of the Company's Articles of Association, Mr Patrick Kwok Wai POON, Ms Daphne HO and Mr Lawrence Kam Kee YU will retire as directors of the Company by rotation at the Company's forthcoming annual general meeting. All of the above three retiring directors, being eligible, will offer themselves for re-election at the meeting.

The Company has received annual confirmation of independence from each of its independent non-executive directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

Directors' Service Contracts

Mr. Maung Tun MYINT has entered into a service contract with the Company for three years commencing on 1 April 2009. He is entitled to receive a salary of HK$897,000 per annum and a discretionary bonus decided by the Board based on his performance and the financial results of the Group.

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

Directors' Interests in Contracts of Significance

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

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company or any of its holding companies or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 31 December 2009, the interests of directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Long position in the shares of the Company

	Number of shares interested			
Name of director	**Family Interests**	**Corporate Interests**	**Total interests**	**Percentage† of the issued share capital of the Company**
Mr. Rustom Ming Yu HO	–	138,347,288 *(Note)*	138,347,288	52.87%
Mr. John Ming Tak HO	600,000	138,347,288 *(Note)*	138,947,288	53.10%

Note: By virtue of the SFO, both Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO were deemed to have interests in the 138,347,288 shares of the Company held by Fulcrest Limited, a company in which Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO had controlling interests. Interests in the same shares are also shown under the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company" below.

† The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, none of the directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

None of the directors or chief executives (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the year ended 31 December 2009.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 31 December 2009, the following companies had interests in more than 5% of the Company's issued share capital:

Long position in the shares of the Company

	Number of shares interested			
Name of substantial shareholder	**Direct interests**	**Deemed interests**	**Total interests**	**Percentage† of the issued share capital of the Company**
Fulcrest Limited	138,347,288	–	138,347,288	52.87%
Asian Pacific Investment Corporation	–	138,347,288 *(Note)*	138,347,288	52.87%
Kwong Fong Holdings Limited	710,000	138,347,288 *(Note)*	139,057,288	53.14%
Kwong Fong Industries Corporation	8,680,000	139,057,288 *(Note)*	147,737,288	56.46%
COFCO (Hong Kong) Limited	45,058,000	–	45,058,000	17.22%

Note: The share capital of Fulcrest Limited was owned as to 51% by Asian Pacific Investment Corporation and as to 49% by Kwong Fong Holdings Limited. Kwong Fong Holdings Limited was a wholly owned subsidiary of Kwong Fong Industries Corporation. Accordingly, Asian Pacific Investment Corporation and Kwong Fong Holdings Limited were deemed to be interested in the 138,347,288 shares of the Company held by Fulcrest Limited; and Kwong Fong Industries Corporation was deemed to be interested in the 139,057,288 shares of the Company in which Kwong Fong Holdings Limited had an interest.

† The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2009.

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above) who, as at 31 December 2009, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

Management Contracts

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

Major Customers and Suppliers

The Group's five largest trading operation customers accounted for approximately 36.61% (2008: 37.78%) of the Group's turnover for its trading operation for the year. Approximately 12.02% (2008: 13.50%) of the Group's turnover for its trading operation was attributable to the largest customer.

Approximately 71.43% (2008: 71.97%) of the Group's purchases for its trading operation were attributable to the five largest trading operation suppliers with the largest supplier accounted for approximately 20.22% (2008: 24.05%) of the purchases. Due to the nature of the Group's other operations, information on the Group's customers and suppliers for the Group's other operations are not provided as it is considered to be of limited value.

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

Corporate Governance

The Company has complied throughout the year ended 31 December 2009 with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Emolument Policy

The emolument policy of the employees of the Group is formulated and approved by the Board based on the employees' merit, qualifications and competence.

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

Public Float

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

Auditor

At the Company's annual general meeting held on 18 May 2007, PricewaterhouseCoopers retired and Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the shareholders at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

John Ming Tak HO
Managing Director
26 March 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF GREAT CHINA HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Great China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 98, which comprise the consolidated and the Company's statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	4	**1,866,805**	1,604,840
Cost of sales		**(1,620,314)**	(1,449,221)
Gross profit		**246,491**	155,619
Other income	6	**7,541**	20,452
Increase (decrease) in fair value of investment properties		**56,591**	(3,372)
Change in fair value of financial assets designated at fair value through profit or loss		**1,841**	–
Change in fair value of derivative financial instruments		**(1,549)**	6,268
Gain on disposal of assets classified as held for sale		**–**	21,604
Reversal of impairment loss (impairment loss) on available-for-sale financial assets		**680**	(1,235)
Distribution costs		**(104,746)**	(104,609)
Administrative expenses		**(40,269)**	(29,164)
Finance costs	7	**(6,876)**	(18,343)
Share of results of associates		**11,571**	4,569
Profit before taxation	8	**171,275**	51,789
Income tax expense	10	**(16,379)**	(1,227)
Profit for the year attributable to owners of the Company		**154,896**	50,562
Earnings per share – Basic	12	**HK 59.19 cents**	HK 19.32 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Profit for the year		**154,896**	50,562
Other comprehensive income			
Exchange difference arising on translation		**3,804**	27,993
Surplus on revaluation of properties	*16*	**–**	495
Increase (decrease) in fair value of available-for-sale financial assets		**1,025**	(2,466)
Reclassification adjustment upon impairment of available-for-sale financial assets		**–**	1,235
Other comprehensive income for the year		**4,829**	27,257
Total comprehensive income for the year attributable to owners of the Company		**159,725**	77,819

Statements of Financial Position

At 31 December 2009

	Notes	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000	THE COMPANY 2009 HK$'000	THE COMPANY 2008 HK$'000
Non-current assets					
Goodwill	*14*	**3,000**	3,000	**–**	–
Investment properties	*15*	**730,215**	675,092	**–**	–
Property, plant and equipment	*16*	**14,100**	15,898	**66**	85
Prepaid lease payments for land	*17*	**37,622**	37,945	**–**	–
Deposit paid for acquisition of an investment property	*18*	**9,114**	–	**–**	–
Interests in subsidiaries	*19*	**–**	–	**68,587**	62,822
Interests in associates	*20*	**119,201**	106,660	**1,199**	868
Amounts due from subsidiaries	*21*	**–**	–	**298,024**	289,509
Loan to an associate	*20*	**16,547**	17,358	**16,547**	17,358
Available-for-sale financial assets	*22*	**3,340**	1,635	**–**	–
		933,139	857,588	**384,423**	370,642
Current assets					
Properties held for sale	*23*	**16,928**	16,317	**–**	–
Inventories	*24*	**78,126**	120,371	**–**	–
Prepaid lease payments for land	*17*	**323**	323	**–**	–
Trade and other receivables	*25*	**308,180**	92,530	**349**	622
Amounts due from subsidiaries	*21*	**–**	–	**360,574**	175,313
Amount due from an associate	*20*	**44,616**	44,596	**44,616**	44,596
Financial assets designated at fair value through profit or loss	*26*	**21,085**	–	**–**	–
Derivative financial assets	*27*	**652**	7,735	**–**	–
Bank balances and cash	*28*	**97,693**	164,065	**7,937**	4,702
Pledged bank deposit	*28*	**148,329**	–	**–**	–
		715,932	445,937	**413,476**	225,233
Assets classified as held for sale	*29*	**2,672**	–	**–**	–
		718,604	445,937	**413,476**	225,233

Statements of Financial Position

At 31 December 2009

	Notes	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000	THE COMPANY 2009 HK$'000	THE COMPANY 2008 HK$'000
Current liabilities					
Trade and bills payables	30	**329,639**	115,838	**326,918**	112,946
Other payables and accrued expenses		**54,950**	46,452	**2,391**	2,951
Rental deposits received		**3,529**	83	**–**	–
Amounts due to subsidiaries	21	**–**	–	**237,006**	198,624
Borrowings	31	**187,210**	230,815	**6,940**	78,675
Taxation payable		**7,582**	1,901	**–**	–
Derivative financial liabilities	27	**618**	–	**–**	–
		583,528	395,089	**573,255**	393,196
Net current assets (liabilities)		**135,076**	50,848	**(159,779)**	(167,963)
Total assets less current liabilities		**1,068,215**	908,436	**224,644**	202,679
Non-current liabilities					
Borrowings	31	**119,678**	121,755	**48,564**	55,503
Deferred tax liabilities	34	**92,659**	81,721	**–**	–
Rental deposits received		**3,617**	7,190	**–**	–
		215,954	210,666	**48,564**	55,503
Net assets		**852,261**	697,770	**176,080**	147,176
Capital and reserves					
Share capital	32	**52,337**	52,337	**52,337**	52,337
Reserves	33	**799,924**	645,433	**123,743**	94,839
Total equity		**852,261**	697,770	**176,080**	147,176

The consolidated financial statements on pages 25 to 98 were approved and authorised for issue by the board of directors on 26 March 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	52,337	19,516	48,439	–	1,231	503,662	625,185
Exchange difference arising on translation	–	–	27,993	–	–	–	27,993
Surplus on revaluation of properties *(note 16)*	–	–	–	495	–	–	495
Decrease in fair value of available-for-sale financial assets	–	–	–	–	(2,466)	–	(2,466)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	–	1,235	–	1,235
Other comprehensive income for the year	–	–	27,993	495	(1,231)	–	27,257
Profit for the year	–	–	–	–	–	50,562	50,562
Total comprehensive income for the year	–	–	27,993	495	(1,231)	50,562	77,819
Dividends paid *(note 13)*	–	–	–	–	–	(5,234)	(5,234)
At 31 December 2008	52,337	19,516	76,432	495	–	548,990	697,770
Exchange difference arising on translation	–	–	3,804	–	–	–	3,804
Increase in fair value of available-for–sale financial assets	–	–	–	–	1,025	–	1,025
Other comprehensive income for the year	–	–	3,804	–	1,025	–	4,829
Profit for the year	–	–	–	–	–	154,896	154,896
Total comprehensive income for the year	–	–	3,804	–	1,025	154,896	159,725
Dividends paid *(note 13)*	–	–	–	–	–	(5,234)	(5,234)
At 31 December 2009	52,337	19,516	80,236	495	1,025	698,652	852,261

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**171,275**	51,789
Adjustments for:		
Finance costs	**6,876**	18,343
Share of results of associates	**(11,571)**	(4,569)
Allowance (reversal of allowance) for doubtful debts	**735**	(188)
(Reversal of allowance) allowance for inventories	**(5,062)**	4,698
Amortisation of prepaid lease payments for land	**323**	244
(Reversal of impairment loss) impairment loss on properties held for sale	**(16)**	16
(Reversal of impairment loss) impairment loss on available-for-sale financial assets	**(680)**	1,235
Depreciation of property, plant and equipment	**2,125**	1,568
Interest income	**(5,987)**	(11,151)
Imputed interest income on loan to an associate	**(868)**	–
(Increase) decrease in fair value of investment properties	**(56,591)**	3,372
Change in fair value of financial assets designated at fair value through profit or loss	**(1,841)**	–
Change in fair value of derivative financial instruments	**1,549**	(6,268)
Loss on disposal of property, plant and equipment	**–**	2,719
Gain on disposal of assets classified as held for sale	**–**	(21,604)
Operating cash flows before movements in working capital	**100,267**	40,204
(Increase) decrease in properties held for sale	**(499)**	15,295
Decrease (increase) in inventories	**48,156**	(34,845)
(Increase) decrease in trade and other receivables	**(215,884)**	91,798
Decrease in derivative financial instruments	**6,152**	–
Increase (decrease) in trade and bills payables	**213,801**	(44,947)
Increase (decrease) in other payables and accrued expenses	**7,484**	(23,116)
(Decrease) increase in rental deposits received	**(127)**	763
Cash from operations	**159,350**	45,152
Hong Kong Profits Tax refunded	**66**	–
Overseas tax refunded (paid)	**43**	(1,675)
NET CASH FROM OPERATING ACTIVITIES	**159,459**	43,477

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
(Increase) decrease in pledged bank deposit	**(148,329)**	8,602
Purchase of financial assets designated at fair value through profit or loss	**(19,244)**	–
Deposit paid on acquisition of an investment property	**(9,114)**	–
Purchase of property, plant and equipment	**(316)**	(9,134)
Interest received	**5,987**	11,151
Repayments from an associate	**1,367**	3,310
Deposits received for disposal of assets classified as held for sale	**1,014**	–
Proceeds from disposal of assets classified as held for sale	**–**	36,485
Additions of prepaid lease payments for land	**–**	(38,216)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(168,635)**	12,198
FINANCING ACTIVITIES		
New bank loans raised	**141,284**	181,020
Increase (decrease) in financing from discounting of bills receivable with full recourse	**23,841**	(39,993)
Repayment of bank loans	**(139,072)**	(63,880)
Decrease in trust receipt loans	**(71,735)**	(17,883)
Interest paid	**(6,876)**	(18,343)
Dividends paid	**(5,234)**	(5,234)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(57,792)**	35,687
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(66,968)**	91,362
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**164,065**	70,778
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**596**	1,925
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**97,693**	164,065
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**97,693**	164,065

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2009

1. General

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Fulcrest Limited and its ultimate holding company is Kwong Fong Industries Corporation with its shares listed on Taiwan Stock Exchange Corporation. The address of the registered office and principal place of business of the Company is Unit D, 26th Floor, United Centre, 95 Queensway, Hong Kong.

The functional currency of the Company and its major subsidiaries is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars which is different from the functional currency of the Company, as the directors of the Company consider that Hong Kong dollars is the more appropriate presentation currency in view of its place of listing.

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of animal feed (including fishmeal and tapioca chips), property investment and trading of properties.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group and the Company have applied the following new and revised Hong Kong Accounting Standards ("HKAS"), amendments and Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – Int") ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

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

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 5) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group and the Company have not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk and the Company provided the relevant information for both 2008 and 2009.

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

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

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

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

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

3. Significant accounting policies

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

Business combinations

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

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

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

3. Significant accounting policies *(Continued)*

Goodwill

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

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

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

Interests in associates

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

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

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

3. Significant accounting policies *(Continued)*

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has been passed.

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the buyers, upon execution of binding sales agreement and delivery of properties to buyers.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses on a straight line basis over the lease term.

Agency fee income is recognised when services are provided.

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

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

3. Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and buildings

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under fair value model.

Financial instruments

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

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries, loan to an associate, trade and other receivables, amount due from an associate, bank balances and pledged bank deposit) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Available-for-sale financial assets

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

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

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Financial liabilities

Financial liabilities (including trade and bills payables, other payables, amounts due to subsidiaries and borrowings), are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

Inventories and properties held for sale

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

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Impairment loss on tangible assets (see the accounting policy in respect of goodwill above)

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

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

3. Significant accounting policies *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

Borrowing costs

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

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

Taxation

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

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

3. Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

Retirement benefit costs

Payments to the retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

4. Revenue

Revenue represents revenue arising on sale of fishmeal and tapioca chips, sale of properties, rental and leasing and agency fee income for the year. An analysis of the Group's revenue for the year is as follows:

	2009 HK$'000	2008 HK$'000
Sales		
– Sales of goods	**1,833,872**	1,549,699
– Sales of properties	**–**	22,793
Rental income from investment properties	**31,910**	31,773
Agency fee income	**1,023**	575
	1,866,805	1,604,840

5. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS14.

In prior years, segment information reported externally was analysed on the basis of the Group's operating divisions, including general trading, property investment and trading of properties. However, information reported to the chief operating decision maker, executive directors of the Company, for the purpose of resources allocation and performance assessment specifically focuses on property investment in Hong Kong and property investment in the People's Republic of China ("the PRC"). The adoption of HKFRS 8 has also changed the basis of measurement of segment profit. Previously under HKAS 14, the segment result did not include allocation of change in fair value of derivative financial instruments, bank interest income, finance costs, share of results of associates and income tax expense, which is different from the measurement under HKFRS 8. Amounts reported for the prior year have been restated to conform to the requirement of HKFRS 8.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. General trading – trading of fishmeal products and tapioca chips

2. Property investment in Hong Kong – leasing of properties situated in Hong Kong

3. Property investment in the PRC – leasing of properties situated in the PRC and agency services in the PRC.

4. Trading of properties – sale of properties situated in the PRC

5. Segment information *(Continued)*

Information regarding the above segments is reported below.

Segment revenue and results

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

2009

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Consolidated HK$'000
REVENUE					
External sales	**1,833,872**	**15,961**	**16,972**	**–**	**1,866,805**
Segment profit	**82,468**	**52,442**	**27,721**	**–**	**162,631**
Change in fair value of financial assets designated at fair value through profit or loss					**1,841**
Reversal of impairment loss on available-for-sale financial assets					**680**
Central administration costs					**(9,095)**
Unallocated finance costs					**(1,161)**
Profit for the year					**154,896**

2008

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,549,699	15,007	17,341	22,793	1,604,840
Segment profit	26,572	15,027	6,229	5,677	53,505
Gain on disposal of assets classified as held for sale					21,604
Impairment loss on available-for-sale financial assets					(1,235)
Unallocated bank interest income					71
Central administration costs					(20,347)
Unallocated finance costs					(3,036)
Profit for the year					50,562

5. Segment information *(Continued)*

Segment revenue and results *(Continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents profit earned by each reportable segment without allocation of income and expenses of the Group's head office, including: change in fair value of financial assets designated at fair value through profit or loss, gain on disposal of assets classified as held for sale, reversal of impairment loss/impairment loss on available-for-sale financial assets, bank interest income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 December 2009

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**597,011**	**412,011**	**567,854**	**16,928**	**1,593,804**
Corporate assets					**57,939**
Consolidated assets					**1,651,743**
LIABILITIES					
Segment liabilities	**536,675**	**91,213**	**85,656**	**–**	**713,544**
Corporate liabilities					**85,938**
Consolidated liabilities					**799,482**

5. Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2008

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	371,455	370,706	490,716	16,317	1,249,194
Corporate assets					54,331
Consolidated assets					1,303,525
LIABILITIES					
Segment liabilities	338,024	88,014	83,792	–	509,830
Corporate liabilities					95,925
Consolidated liabilities					605,755

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than the Group head office's corporate assets; and
- all liabilities are allocated to reportable segments other than the Group head office's corporate liabilities.

5. Segment information *(Continued)*

Other segment information

2009

Amounts included in segment profit or segment assets:

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	168	9,114	12,689	–	–	21,971
Interests in associates	–	–	119,201	–	–	119,201
Share of results of associates	–	–	(11,571)	–	–	(11,571)
Increase in fair value of investment properties	–	(32,760)	(23,831)	–	–	(56,591)
Depreciation of property, plant and equipment	532	37	880	–	676	2,125
Amortisation of prepaid lease payments for land	–	–	5	–	318	323
Allowance for doubtful debt	–	–	735	–	–	735
Reversal of allowance for inventories	(5,062)	–	–	–	–	(5,062)
Reversal of impairment loss on properties held for sale	–	–	–	(16)	–	(16)
Exchange loss (gain), net	296	12	(117)	–	177	368
Interest income	(5,926)	–	(929)	–	–	(6,855)
Interest expense	3,557	408	1,750	–	1,161	6,876
Income tax expense	5,866	5,912	4,601	–	–	16,379

5. Segment information *(Continued)*

Other segment information *(Continued)*

2008

Amounts included in segment profit or segment assets:

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	1,936	–	16,367	–	47,075	65,378
Interests in associates	–	–	106,660	–	–	106,660
Share of results of associates	–	–	(4,569)	–	–	(4,569)
(Increase) decrease in fair value of investment properties	–	(120)	3,492	–	–	3,372
Depreciation of property, plant and equipment	533	253	394	–	388	1,568
Amortisation of prepaid lease payments for land	–	–	5	–	239	244
Reversal of allowance for doubtful debt	(188)	–	–	–	–	(188)
Allowance for inventories	4,698	–	–	–	–	4,698
Impairment loss on properties held for sale	–	–	–	16	–	16
Loss on disposal of property, plant and equipment	2,719	–	–	–	–	2,719
Exchange (gain) loss, net	(8,631)	837	–	–	730	(7,064)
Interest income	(10,944)	(4)	(132)	–	(71)	(11,151)
Interest expense	11,010	942	3,355	–	3,036	18,343
Income tax expense (credit)	586	(1,739)	2,380	–	–	1,227

Note: Non-current assets excluded financial instruments.

5. Segment information *(Continued)*

Geographical information

The Group's operations are located in Hong Kong and the PRC.

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

	Revenue		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**15,961**	15,007	**456,852**	416,010
Other regions in the PRC	**1,850,844**	1,589,833	**456,400**	422,585
	1,866,805	1,604,840	**913,252**	838,595

Note: Non-current assets excluded financial instruments.

Information about major customers

Revenue from a customer contributing over 10% of the total sales of the Group of the corresponding years is as follows:

	2009	2008
	HK$'000	HK$'000
Customer A	**220,384**	209,227

Revenue from the above customer is included in the general trading segment.

6. Other income

	2009	2008
	HK$'000	HK$'000
Bank interest income	**5,987**	11,151
Imputed interest income on loan to an associate	**868**	–
Exchange gain, net	**–**	7,064
Gain on fair value change of investment held for trading	**–**	293
Sundry	**686**	1,944
	7,541	20,452

7. Finance costs

	2009 HK$'000	2008 HK$'000
Interest on bank loans and overdrafts		
– wholly repayable within five years	**5,307**	14,788
– not wholly repayable within five years	**1,569**	3,555
	6,876	18,343

8. Profit before taxation

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for (reversal of allowance for) doubtful debts	**735**	(188)
Amortisation of prepaid lease payments for land	**323**	244
Auditor's remuneration	**1,020**	1,168
Cost of inventories and properties held for sale recognised as an expense	**1,625,392**	1,444,523
Depreciation of property, plant and equipment	**2,125**	1,568
Exchange loss, net	**368**	–
Loss on disposal of property, plant and equipment	**–**	2,719
(Reversal of allowance) allowance for inventories *(Note)*	**(5,062)**	4,698
(Reversal of impairment loss) impairment loss on properties held for sale	**(16)**	16
Share of taxation of an associate	**4,514**	3,381
Staff costs including directors' emoluments	**23,152**	17,095
Gross rental income from investment properties	**(31,910)**	(31,773)
Less: Outgoings	**1,857**	2,511
Net rental income from investment properties	**(30,053)**	(29,262)

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$1,146,000 (2008: HK$1,334,000) are included in staff costs.

Note: A reversal of allowance for inventories is recognised during the year ended 31 December 2009 because the market price of fishmeal products are sold out at an increased market price during the year.

9. Directors' and employees' remuneration

(a) Directors' remuneration

	Mr. Rustom Ming Yu HO HK$'000	Mr. John Ming Tak HO HK$'000	Mr. Patrick Kwok Wai POON HK$'000	Mr. Maung Tun MYINT HK$'000	Mr. Lawrence Kam Kee YU HK$'000	Mr. David Hon To YU HK$'000	Mr. Hsu Chou WU HK$'000	Ms. Daphne HO HK$'000	Total HK$'000
2009									
Fees	**–**	**–**	**–**	**–**	**240**	**240**	**60**	**60**	**600**
Other emoluments									
Salaries and other benefits	**757**	**4,053**	**1,586**	**673**	**–**	**–**	**–**	**–**	**7,069**
Discretionary performance bonus	**100**	**1,712**	**217**	**1,196**	**–**	**–**	**–**	**–**	**3,225**
Retirement benefit scheme contributions	**–**	**12**	**39**	**9**	**–**	**–**	**–**	**–**	**60**
	857	**5,777**	**1,842**	**1,878**	**240**	**240**	**60**	**60**	**10,954**
2008									
Fees	–	–	–	–	240	240	60	60	600
Other emoluments									
Salaries and other benefits	757	4,262	1,374	–	–	–	–	–	6,393
Discretionary performance bonus	–	171	202	–	–	–	–	–	373
Retirement benefit scheme contributions	–	12	35	–	–	–	–	–	47
	757	4,445	1,611	–	240	240	60	60	7,413

Notes:

1. The discretionary performance bonus is determined having regard to the performance of individuals and financial results of the Group.

2. Mr. Maung Tun MYINT was appointed as an executive director on 1 April 2009.

9. Directors' and employees' remuneration *(Continued)*

(b) Employees' emoluments

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

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**711**	2,677
Discretionary performance bonus	**134**	288
Retirement benefit costs – defined contribution plan	**9**	24
	854	2,989

The emoluments were within the following bands:

	No. of employee(s) 2009	2008
Nil to HK$1,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**–**	1

10. Income tax expense

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	–	630
Overprovision in prior years	–	(6)
	–	624
Other jurisdiction		
Current year	**5,996**	1,675
Overprovision in prior years	**(432)**	–
	5,564	1,675
Deferred tax liabilities *(note 34)*		
Current year	**10,815**	1,962
Effect of change in tax rate	–	(3,034)
	10,815	(1,072)
Taxation attributable to the Company and its subsidiaries	**16,379**	1,227

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

10. Income tax expense *(Continued)*

The income tax expense for the year can be reconciled to profit before taxation per the consolidated income statement as follows:

	2009	2008
	HK$'000	HK$'000
Profit before taxation	**171,275**	51,789
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**28,260**	8,545
Tax effect of expenses not deductible for tax purpose	**3,442**	2,554
Tax effect of income not taxable for tax purpose	**(2,291)**	(3,072)
Tax effect of tax losses not recognised	**84**	3,249
Tax effect of share of results of associates	**(1,909)**	(754)
Tax effect on different tax rate of operations in other jurisdiction	**2,276**	455
Effect of change in tax rate	**–**	(3,034)
Tax effect of utilisation of tax losses previously not recognised	**(13,175)**	(6,735)
Tax effect of utilisation of deductible temporary difference previously not recognised	**(416)**	–
Overprovision in prior years	**(432)**	(6)
Others	**540**	25
Income tax expense for the year	**16,379**	1,227

11. Profit attributable to owners of the company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK$34,138,000 (2008: HK$16,973,000).

12. Earnings per share

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

	2009	2008
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**154,896**	50,562

	Number of shares	
	2009	2008
Number of ordinary shares for the purpose of basic earnings per share	**261,684,910**	261,684,910

No diluted earnings per share has been presented as there were no potential ordinary shares in both years.

13. Dividends

	2009	2008
	HK$'000	HK$'000
Interim dividend paid for 2009 of HK$0.01 (2008: HK$0.01) per ordinary share	**2,617**	2,617
Final dividend paid for 2008 of HK$0.01 (2008: for 2007 of HK$0.01) per ordinary share	**2,617**	2,617
	5,234	5,234

The final dividend for the year ended 31 December 2009 of HK$0.01 (2008: HK$0.01) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. Goodwill

	THE GROUP HK$'000
COST	
At 1 January 2008, 31 December 2008, and 31 December 2009	22,308
IMPAIRMENT	
At 1 January 2008, 31 December 2008 and 31 December 2009	19,308
CARRYING AMOUNTS	
At 31 December 2009	3,000
At 31 December 2008	3,000

Goodwill in 2008 and 2009 was allocated to the cash generating unit ("CGU"), that is engaged in the animal feed trading business with operation located in the PRC.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a ten year period and discount rate of 7% (2008: 7%). The cash flows beyond the five year period are extrapolated using a zero growth rate and assuming steady cash flow at the fifth year. The growth rate does not exceed the long-term average growth rate for the animal feed trading business in which the CGU operates. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, based on the CGU's past performance and management's expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment. No impairment loss has been recognised in the consolidated income statement for the year.

15. Investment properties

	THE GROUP
	HK$'000
FAIR VALUE	
At 1 January 2008	661,521
Exchange realignment	16,143
Decrease in fair value	(3,372)
Transfer from property, plant and equipment	216
Transfer from prepaid lease payments	584
At 31 December 2008	675,092
Exchange realignment	1,204
Increase in fair value	56,591
Transfer to assets classified as held for sale *(note 29)*	(2,672)
At 31 December 2009	730,215

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2009 have been arrived at on the basis of a valuation carried out on that date by A.G. Wilkinson & Associates, independent qualified professional valuers not connected with the Group. A.G. Wilkinson & Associates is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the PRC and Hong Kong. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and capitalisation of net income by reference to market yield of similar properties.

Certain investment properties with an aggregate carrying value of HK$728,478,000 (2008: HK$610,883,000) were pledged to secure bank facilities granted to the Group.

15. Investment properties *(Continued)*

The carrying value of investment properties shown above comprises:

	2009 HK$'000	2008 HK$'000
Properties situated on:		
– land in Hong Kong under:		
Long lease	**402,580**	369,820
– land outside Hong Kong under:		
Long lease	**327,635**	305,272
	730,215	675,092

16. Property, plant and equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2008	4,364	3,909	3,771	4,987	17,031
Exchange realignment	219	40	55	99	413
Additions	7,792	5,148	129	531	13,600
Disposals	(2,966)	–	(459)	(313)	(3,738)
Surplus on valuation *(note)*	123	–	–	–	123
Transfer to investment properties *(note)*	(263)	–	–	–	(263)
At 31 December 2008	9,269	9,097	3,496	5,304	27,166
Exchange realignment	12	18	3	7	40
Additions	–	116	–	200	316
At 31 December 2009	9,281	9,231	3,499	5,511	27,522
DEPRECIATION					
At 1 January 2008	583	3,491	2,088	4,487	10,649
Exchange realignment	–	21	23	73	117
Provided for the year	209	391	733	235	1,568
Eliminated on disposals	(276)	–	(470)	(273)	(1,019)
Transfer to investment properties (note)	(47)	–	–	–	(47)
At 31 December 2008	469	3,903	2,374	4,522	11,268
Exchange realignment	–	7	16	6	29
Provided for the year	222	1,123	536	244	2,125
At 31 December 2009	691	5,033	2,926	4,772	13,422
CARRYING VALUES					
At 31 December 2009	8,590	4,198	573	739	14,100
At 31 December 2008	8,800	5,194	1,122	782	15,898
THE COMPANY					
COST					
At 1 January 2008	–	–	–	1,214	1,214
Additions	–	–	–	93	93
At 31 December 2008 and 31 December 2009	–	–	–	1,307	1,307
DEPRECIATION					
At 1 January 2008	–	–	–	1,210	1,210
Provided for the year	–	–	–	12	12
At 31 December 2008	–	–	–	1,222	1,222
Provided for the year	–	–	–	19	19
At 31 December 2009	–	–	–	1,241	1,241
CARRYING VALUES					
At 31 December 2009	–	–	–	66	66
At 31 December 2008	–	–	–	85	85

16. Property, plant and equipment *(Continued)*

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

Category of assets

Buildings	2.5%
Leasehold improvements	20%
Motor vehicles	25%
Furniture, fixtures and office equipment	20%

Certain buildings with an aggregate carrying amount of HK$5,998,000 (2008: HK$6,154,000) were pledged to secure bank facilities granted to the Group.

Note: During the year ended 31 December 2008, buildings and prepaid lease payments with carrying values of HK$263,000 and HK$584,000, respectively have been transferred to investment properties. Such leasehold land and buildings were valued on the date of transfer by A.G. Wilkinson & Associates, a member of the Hong Kong Institute of Surveyors, on an open market value basis. A.G. Wilkinson & Associates are independent qualified professional valuers not connected with the Group. Accordingly, a surplus on valuation of building and prepaid lease payments amounting to HK$123,000 and HK$372,000, respectively has been recognised in the properties revaluation reserve.

17. Prepaid lease payments for land

The Group's prepaid lease payments for land comprise:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Leasehold land in the PRC held under		
– long leases	**287**	291
Leasehold land in Hong Kong held under		
– long leases	**37,658**	37,977
	37,945	38,268
Analysed for reporting purposes as:		
– Non-current asset	**37,622**	37,945
– Current asset	**323**	323
	37,945	38,268

During the year ended 31 December 2008, prepaid lease payments for land with fair value of HK$584,000 have been transferred to investment properties.

Prepaid lease payments for land with carrying values of HK$37,658,000 (2008: HK$37,977,000) were pledged to secure bank facilities granted to the Group.

18. Deposit paid for acquisition of an investment property

On 26 August 2009, Halesite Limited, a wholly owned subsidiary of the Company, entered into an agreement with Sunfield Investments Limited and Park New Astar Hotel Limited (the "vendors"), independent third parties, for the acquisition of the property located at Unit F, 57/F, The Masterpiece, No. 18 Hanoi Road, Tsimshatsui, Kowloon, Hong Kong at a consideration of HK$36,457,000. A deposit of HK$9,114,000 was paid to the vendors during the year. The acquisition was completed in February 2010.

19. Interests in subsidiaries

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**51,216**	51,216
Deemed capital contribution in subsidiaries	**21,243**	15,478
Less: Impairment losses recognised	**(3,872)**	(3,872)
	68,587	62,822

During the year, the directors of the Company reviewed the carrying values of the investments. The recoverable amounts of these investments for the year are determined with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period. Accordingly, no further impairment loss has been recognised in the financial statements of the Company.

19. Interests in subsidiaries *(Continued)*

Particulars of the subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company 2009	2008	Principal activities
Direct subsidiary					
Dajen Properties Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100%	100%	Investment holding
G.C. Luckmate Trading (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Animal feed trading
G.C. Nominees Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Inactive
Great China Development (Shanghai) Limited	British Virgin Islands/ Hong Kong	10 ordinary shares of US$1 each	100%	100%	Investment holding
Halesite Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100%	100%	Property investment
Haode Property Management (Shanghai) Company Limited*	PRC	Registered capital of US$500,000	100%	100%	Real estate agent in Shanghai, China
Sunison Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Investment holding

19. Interests in subsidiaries *(Continued)*

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company 2009	2008	Principal activities
Direct subsidiary – continued					
Tai Loy Trading Company Limited	Hong Kong	43,344,000 ordinary shares of HK$1 each	100%	100%	Investment holding
549653 B.C. Limited	Canada	1 ordinary share of CAD1	–	100%	Inactive
Indirect subsidiary					
Adamgate Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100%	100%	Investment holding
Alliance Pacific Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment in Beijing, China
Capital Head Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment in Shanghai, China
Concord Trinity Development Limited	Hong Kong	2 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each *(note)*	100%	100%	Property investment in Shanghai, China
Fairlight Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100%	100%	Ship chartering
G.C. Luckmate Trading Limited	Hong Kong	4,000,000 ordinary shares of HK$1	100%	100%	Animal feed trading

19. Interests in subsidiaries *(Continued)*

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company 2009	2008	Principal activities
Indirect subsidiary – continued					
G.C. Luckmate Trading (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Animal feed trading
G.C. Luckmate Trading (International) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Animal feed trading
Glory South Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment
Great China Commodities Limited	British Virgin Islands/ Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	Investment holding
Honour Alliance Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Property investment
Jasmine Ocean Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100%	100%	Ship chartering
Jelson Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each *(note)*	100%	100%	Property investment in Shanghai, China

19. Interests in subsidiaries *(Continued)*

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company 2009	2008	Principal activities
Indirect subsidiary – continued					
Poppins Properties Limited	British Virgin Islands/ Hong Kong	55,603 ordinary shares of US$1 each	100%	100%	Investment holding
Star Talent Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment in Beijing, China
Silver Regent Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Property investment
上海裕景貿易有限公司*	PRC	Registered capital of RMB3,000,000	100%	100%	Animal feed trading
博平置業（上海）有限公司*	PRC	Registered capital of US$8,460,000	100%	100%	Property investment in Shanghai, China
上海澤尼貿易有限公司*	PRC	Registered capital of US$150,000	100%	100%	Animal feed trading

* *A wholly foreign owned enterprise*

Note: The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

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

20. Interests in associates/loan to an associate/amount due from an associate

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investment in unlisted associates	**–**	–	**–**	–
Share of post-acquisition reserves	**118,002**	105,792	**–**	–
Deemed contribution	**1,199**	868	**1,199**	868
	119,201	106,660	**1,199**	868

The loan to an associate is unsecured, interest-free and not repayable within the next twelve months after the end of the reporting period. Accordingly, the amount is shown as a non-current asset.

The interest-free loan is measured at amortised cost determined using the effective interest method. The effective interest rate of the amount is 2% (2008: 5%) per annum.

The amount due from an associate is unsecured, interest-free and repayable on demand. The directors of the Company estimate that the amount will be recovered within twelve months from the end of the reporting period. Accordingly, the amount is classified as a current asset.

Particulars of the associates at 31 December 2009 and 2008 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital indirectly held by the Company 2009	2008	Principal activity
Samstrong International Limited *(note a)*	Incorporated	British Virgin Island/Hong Kong	43%	43%	Investment holding
Da Da Development (Shanghai) Corporation *(note b)*	Incorporated	PRC	43%	43%	Property investment in Shanghai, China
Yield Commence Limited *(note c)*	Incorporated	Hong Kong	43%	43%	Investment holding

20. Interests in associates/loan to an associate/amount due from an associate

(Continued)

Notes:

a. Out of the total 43 shares held by the Group, 7 shares (2008: 7 shares) are charged to another shareholder of Samstrong International Limited in exchange for the consent from such shareholder to pledge the investment properties of the associate as security for banking facilities used by the Group.

b. Da Da Development (Shanghai) Corporation is a wholly foreign owned investment enterprise as well as a wholly owned subsidiary of Yield Commence Limited.

c. Yield Commence Limited is a wholly owned subsidiary of Samstrong International Limited.

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

	2009 HK$'000	2008 HK$'000
Total assets	**504,589**	462,964
Total liabilities	**(227,816)**	(212,297)
Net assets	**276,773**	250,667
Group's share of net assets of associates	**119,201**	106,660
Revenue	**5,894**	10,752
Profit for the year	**28,059**	10,626
Group's share of results of associates for the year	**11,571**	4,569

21. Amounts due from (to) subsidiaries

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Amounts due from subsidiaries	**662,986**	469,210
Less: Impairment losses recognised	**(4,388)**	(4,388)
	658,598	464,822
Less: Amounts recoverable within one year shown under current assets	**(360,574)**	(175,313)
Amounts recoverable after one year	**298,024**	289,509

During the year, the directors reviewed the carrying values of amounts due from subsidiaries. The recoverable amounts of these amounts due from subsidiaries are determined with reference to the directors' estimate of discounted future cash flows and net assets of the subsidiaries as at the end of the reporting period. No further impairment loss has been recognised by the Company during the year.

Included in the amounts due from subsidiaries are amounts of HK$298,024,000 (2008: HK$289,509,000) which are unsecured, interest-free and not expected to be repaid within the next twelve months from the end of the reporting period. Accordingly, the amounts are classified as non-current assets. The remaining balance is unsecured, interest-free and repayable on demand.

The interest-free balance is initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of the amount is 2% (2008: 5%) per annum.

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

22. Available-for-sale financial assets

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Club debentures	**3,340**	1,635

All available-for-sale financial assets, representing club debentures, are stated at fair value.

23. Properties held for sale

	THE GROUP 2009 HK$'000	2008 HK$'000
Properties held for sale		
– Prepaid lease payments for land use right	**5,404**	5,384
– Buildings	**11,524**	10,933
	16,928	16,317
Properties held for sale in the PRC under long leases	**16,928**	16,317

Certain properties held for sale with a carrying amount of HK$12,951,000 (2008: HK$12,483,000) have been pledged to secure bank facilities granted to the Group.

24. Inventories

	THE GROUP 2009 HK$'000	2008 HK$'000
Trading merchandises	**78,126**	120,371

25. Trade and other receivables

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade and bills receivables	**295,894**	64,533	**–**	–
Less: Allowance for doubtful debts	**(1,382)**	(2,559)	**–**	–
	294,512	61,974	**–**	–
Prepayments and deposits	**2,985**	19,327	**349**	622
Other receivables	**10,683**	11,229	**–**	–
Trade and other receivables	**308,180**	92,530	**349**	622

25. Trade and other receivables *Continued)*

The Group allows a credit period ranging from 30 to 90 days (2008: 30 to 90 days) to its customers in respect of trading of animal feed. The Group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable. Trade receivables over 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, assessed individually by reference to past default experience.

Included in trade and other receivables are trade and bills receivables with an aged analysis as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 30 days	**286,502**	53,810
31 – 60 days	**7,989**	6,528
61 – 90 days	**21**	193
91 – 120 days	**–**	1,443
	294,512	61,974

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

None of the Group's trade receivables is past due at the reporting date for which the Group has not provided.

Movement in the allowance for doubtful debts

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Balance at the beginning of the year	**2,559**	4,325
Amounts written off during the year	**(1,912)**	(1,578)
Increase (decrease) in allowance recognised in profit or loss	**735**	(188)
Balance at the end of the year	**1,382**	2,559

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of HK$1,382,000 (2008: HK$2,559,000) which are in financial difficulties.

25. Trade and other receivables *(Continued)*

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Company has concentration of credit risks as 18% (2008: 29%) and 69% (2008: 80%) of the total receivables were due from the Company's largest customer and the five largest customers respectively.

At 31 December 2009, the carrying amount of bills receivables with recourse, which had been discounted to certain banks as security for the borrowing was HK$23,841,000 (2008: nil). The carrying amount of the associated liability was HK$23,841,000 (2008: nil). Accordingly, the Group continued to recognise the full carrying amount of the receivables and had recognised the cash received from the banks as a secured borrowing.

26. Financial assets designated at fair value through profit or loss

During the year, the Group purchased 180 notes of zero coupon convertible bonds which are listed on the Stock Exchange with principal amount of Renminbi ("RMB") 100,000 each with maturity date on 2 February 2010. The convertible bonds are denominated in RMB and shall be settled in USD. The convertible bonds can be converted into the issuer's shares at a fixed conversion price at any time up to 23 January 2010 and the issuer may redeem all or some of the convertible bonds at any time prior to the maturity date at principal amount plus a gross yield of 1.5% per annum calculated on a semi-annual basis. If the convertible bonds have not been converted or redeemed, they will be redeemed on maturity date at principal amount multiplied by 104.59%. There were no conversion exercised by the Group and no redemption exercised by the issuer during the year. The contractual maturity of the convertible bonds is within the next twelve months from the end of the reporting period. Accordingly, the amount is classified as a current asset. The convertible bonds were subsequently redeemed on 2 February 2010.

The convertible bonds contain embedded derivatives which are not closely related to the host contract. The entire combined contract has been designated as financial assets at FVTPL on initial recognition. The fair value of the convertible bonds is determined by reference to the bid and ask price of identical instrument provided by financial institutions.

27. Derivative financial instruments

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Derivative financial assets		
Foreign currency non-deliverable forward contracts	**596**	7,735
Interest rate swaps	**56**	–
	652	7,735
Derivative financial liabilities		
Foreign currency non-deliverable forward contracts	**333**	–
Interest rate swaps	**285**	–
	618	–

During both years, the Group entered into a number of foreign currency non-deliverable forward contracts to manage its currency fluctuation exposures. The instruments purchased are primarily purchasing USD and selling RMB and to be settled on net settlement basis on the maturity dates of the instruments.

At 31 December 2009, the total notional amount of the forward contracts amounted to USD18,363,000 (2008: USD15,600,000). The maturity of the contracts ranges from eight months to twelve months (2008: three months to six months) subsequent to the end of the reporting period. The contract rates range from RMB6.63:USD1 to RMB6.83:USD1 (2008: RMB6.31:USD1 to RMB6.63:USD1).

At 31 December 2009, the fair values of the Group's foreign currency forward contracts are estimated to be financial assets and financial liabilities of approximately HK$596,000 (2008: HK$7,735,000) and HK$333,000 (2008: nil) respectively.

In addition, the Group entered into a number of interest rate swap contracts in the current year to minimise its exposure to interest rate fluctuation of its USD variable-rate borrowings by swapping a portion of the variable-rate borrowings to fixed rates.

At 31 December 2009, the total notional amount of the interest rate swap contracts amounted to USD17,130,000. The maturity of the contracts range from eight months to twelve months subsequent to the end of the reporting period. The Group swaps interest rate from floating rates at London Inter Bank Offered Rate ("LIBOR") plus 50 to 55 basis points per annum to fixed rates ranging from 1.12% to 1.29% per annum.

At 31 December 2009, the fair values of the Group's interest rate swap contracts are estimated to be financial assets and financial liabilities of approximately HK$56,000 (2008: nil) and HK$285,000 (2008: nil) respectively.

28. Bank balances and cash and pledged bank deposit

THE GROUP

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rates ranging from 0.01% to 1.71% (2008: 0.50% to 2.25%) per annum.

In 2009, the pledged deposit held by the Group carries prevailing market interest rate at 2.25% per annum. The deposit is pledged against bank borrowings repayable within twelve months from the end of the reporting, accordingly, the pledged deposit is classified as a current asset.

THE COMPANY

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rates ranging from 0.01% to 0.25% (2008: 0.80% to 1.80%) per annum.

29. Assets classified as held for sale

On 7 November 2009 and 23 November 2009, Alliance Pacific Investment Limited and Star Talent Investment Limited, entered into agreements with independent third parties (the "Buyers") for the disposal of the Group's investment properties located at Unit E, 14/F and Unit E, 20/F of Block 1, City Plaza, Chaoyang Road, Chaoyang District, Beijing, the PRC (the "Properties") respectively, which are expected to be sold within the next twelve months from the end of the reporting period. The total considerations for the disposal of the Properties were approximately HK$2,672,000. Deposits of approximately HK$1,014,000 were received from the Buyers.

30. Trade and bills payables

At the end of the reporting period, an aged analysis of trade and bills payables is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 – 30 days	**326,940**	69,878	**326,918**	67,566
31 – 60 days	**2,028**	45,392	**–**	45,380
Over 60 days	**671**	568	**–**	–
	329,639	115,838	**326,918**	112,946

The average credit period on purchase of goods is 30 days (2008: 30 days). No interest is charged by the trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

31. Borrowings

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured				
Bank loans	**283,047**	280,835	**55,504**	62,443
Liabilities associated with bills receivables discounted with full recourse	**23,841**	–	**–**	–
Trust receipt loans	**–**	71,735	**–**	71,735
	306,888	352,570	**55,504**	134,178

The maturity of the above borrowings is as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
On demand or within one year	**187,210**	230,815	**6,940**	78,675
More than one year, but not exceeding two years	**22,099**	12,618	**6,940**	6,940
More than two years, but not exceeding five years	**50,970**	49,799	**20,819**	20,819
More than five years	**46,609**	59,338	**20,805**	27,744
	306,888	352,570	**55,504**	134,178
Less: Amount due within one year shown under current liabilities	**(187,210)**	(230,815)	**(6,940)**	(78,675)
Amount due after one year	**119,678**	121,755	**48,564**	55,503

Include in the Group's and the Company's borrowings are variable-rate borrowings of HK$283,047,000 (2008: HK$352,570,000) and HK$55,504,000 (2008: HK$134,178,000) respectively, which carry interest at the Hong Kong Inter Bank Offered Rate or LIBOR plus certain basis points and subject to cash flow interest rate risk. At 31 December 2009, the Group's fixed-rate borrowings of HK$23,841,000 representing discounted bills receivables with recourse carry interest rate at a range from 1.05% to 1.23% per annum.

31. Borrowings *(Continued)*

The effective interest rates at the end of the reporting period on the borrowings of the Group and the Company were as follows:

	THE GROUP			THE COMPANY	
	HK$	US$	RMB	HK$	US$
2009					
Variable-rate borrowings:					
Bank loans	**1.27%**	**1.09%**	**5.96%**	**0.77%**	**1.48%**
Fixed-rate borrowings:					
Liabilities associated with bills receivables discounted with full recourse	**–**	**1.10%**	**–**	**–**	**–**
2008					
Variable-rate borrowings:					
Bank loans	1.60%	1.72%	6.74%	1.66%	1.72%
Trust receipt loans	–	1.49%	–	–	1.49%

Bank borrowings are secured by certain investment properties, buildings, prepaid lease payments for land and properties held for sale. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings.

The Group's and the Company's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**38,882**	45,058	**29,883**	34,323
USD	**141,284**	–	**–**	–

At the end of the reporting period, the Group and the Company have the following undrawn borrowing facilities:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Floating rate – expiring within one year	**773,741**	529,319	**651,882**	529,319

The facilities expiring within one year are annual facilities subject to review at various dates during 2010.

32. Share capital

	Number of shares 2009 & 2008	Amount 2009 & 2008 HK$'000
Ordinary shares of HK$0.2 each		
Authorised:		
At 1 January and 31 December	500,000,000	100,000
Issued and fully paid:		
At 1 January and 31 December	261,684,910	52,337

33. Reserves

THE COMPANY

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	19,516	63,584	83,100
Profit for the year	–	16,973	16,973
Dividends paid	–	(5,234)	(5,234)
At 31 December 2008	19,516	75,323	94,839
Profit for the year	–	34,138	34,138
Dividends paid	–	(5,234)	(5,234)
At 31 December 2009	19,516	104,227	123,743

34. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the two years ended 31 December 2009 and 2008:

THE GROUP

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	4,294	79,767	(2,739)	81,322
Exchange realignment	193	1,278	–	1,471
Charge to profit or loss for the year	927	229	806	1,962
Effect of change in tax rate	(40)	(3,151)	157	(3,034)
At 31 December 2008	5,374	78,123	(1,776)	81,721
Exchange realignment	19	104	–	123
Charge to profit or loss for the year	748	9,432	635	10,815
At 31 December 2009	6,141	87,659	(1,141)	92,659

THE GROUP

At the end of the reporting period, the Group has unused tax losses of HK$76,239,000 (2008: HK$160,566,000) available for offset against future profits. A deferred tax asset of approximately HK$1,141,000 (2008: HK$1,776,000) has been recognised in respect of approximately HK$6,915,000 (2008: HK$10,765,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining HK$69,324,000 (2008: HK$149,801,000) of such losses due to the unpredictability of future profit streams. Losses amounting to HK$4,989,000 (2008: HK$29,861,000) will expire from 2010 to 2013 and losses amounting to HK$71,250,000 (2008: HK$130,705,000) have no expiry date.

At the end of the reporting period, the Group has deductible temporary differences of HK$5,417,000 (2008: HK$7,936,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$25,019,000 (2008: HK$1,749,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. Deferred taxation *(Continued)*

THE COMPANY

At the end of the reporting period, the Company has unused tax losses of HK$14,850,000 (2008: HK$33,770,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses have no expiry date.

35. Contingent liabilities and commitments

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Contingent liabilities:		
Corporate guarantees given to banks in respect of banking facilities given to subsidiaries	**1,409,305**	994,835

Included in the Company's other payables and accrued expenses of HK$807,000 (2008: HK$1,003,000) are liabilities recognised in relation to the abovementioned guarantees given to banks in respect of banking facilities utilised by its subsidiaries.

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments:				
Contracted for but not provided:				
Acquisition of an investment property	**27,343**	–	**–**	–

36. Operating lease arrangements

The Group as lessee:

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within one year	**1,229**	399
In the second to fifth year inclusive	**272**	115
	1,501	514

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases for these land and buildings are negotiated for terms of one to three years with fixed rentals.

The Group as lessor:

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within one year	**24,873**	28,183
In the second to fifth year inclusive	**55,832**	63,659
Over five years	**19,694**	22,627
	100,399	114,469

Leases are negotiated for an average term ranging from 1 to 10 years with fixed rentals over the terms of the leases.

37. Retirement benefit scheme

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

Employees who were members of a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme from 1 December 2000 onwards, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK$1,000 per month whichever is the smaller to the scheme.

The total cost charged to the consolidated income statement of HK$241,433 (2008: HK$242,524) represents contributions payable to the MPF Scheme, by the Group during the year.

38. Pledge of assets

At 31 December 2009, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the banking facilities:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Investment properties	**728,478**	610,883
Prepaid lease payments for land	**37,658**	37,977
Properties held for sale	**12,951**	12,483
Buildings	**5,998**	6,154
Pledged bank deposit	**148,329**	–
Bills receivables	**23,841**	–

39. Related party transactions

(1) The Group's and the Company's balances with related parties are set out in the statements of financial position and notes 20 and 21.

(2) Key management compensation was as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**11,139**	8,822
Retirement benefit costs – defined contribution plan	**69**	59
	11,208	8,881

40. Key source of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. The valuation is reviewed annually by qualified valuers by considering information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from the external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

40. Key source of estimation uncertainty *(Continued)*

(i) Estimate of fair value of investment properties *(Continued)*

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(ii) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade receivable is HK$294,512,000 (2008: HK$61,974,000) (net of allowance for doubtful debts of HK$1,382,000 (2008: HK$2,559,000)).

(iii) Fair values of other financial instruments

The fair values of other financial instruments that are not traded in an active market, including foreign currency non-deliverable forward contracts and interest rate swaps contracts are determined by reference to prices from observable current market transactions and dealer quotes for similar instruments.

(iv) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant judgments are required. In making this judgment, the Group evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

41. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 33 and consolidated statement of changes in equity respectively.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from that of 2008.

42. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

(b) Categories of financial instruments

THE GROUP

	2009 HK$'000	2008 HK$'000
Financial assets		
FVTPL		
Designated as at FVTPL	**21,085**	–
Derivative financial assets	**652**	7,735
Loans and receivables (including cash and cash equivalents)	**611,688**	304,201
Available-for-sale financial assets	**3,340**	1,635
	636,765	313,571
Financial liabilities		
Amortised cost	**654,753**	478,752
Derivative financial liabilities	**618**	–
	655,371	478,752

42. Financial instruments *(Continued)*

(b) Categories of financial instruments *(Continued)*

THE COMPANY

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**727,698**	531,478
Financial liabilities		
Amortised cost	**619,690**	445,992

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

During the year, the Group entered into certain foreign currency non-deliverable forward contracts and interest rate swap contracts to reduce the currency fluctuation exposures and interest rate risk exposures of the Group as set out in note 27. In addition, the Group has purchased convertible bonds as set out in note 26.

Except for the Group's additional exposure to market risk resulted from the acquisition of certain financial instruments during the year, there has been no change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures.

(d) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 1% (2008: 1%) and 5% (2008: 3%) of the Group's sales and purchase respectively are denominated in currencies other than the functional currency of the group entity.

42. Financial instruments *(Continued)*

(d) Foreign currency risk management *(Continued)*

(i) Non-derivative foreign currency monetary assets and monetary liabilities

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

THE GROUP

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**1,138**	1,795	**40,525**	52,816
USD	**273**	55	**141,284**	–
RMB	**6,926**	17,870	**184**	3,418

THE COMPANY

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**273,472**	219,159	**180,855**	202,441
RMB	**41,322**	13,816	**42,234**	9,061
Canadian dollars	**–**	1,726	–	62

Foreign currency sensitivity

The Group is mainly exposed to the currency of Hong Kong dollars, USD and RMB. The Company is mainly exposed to the currency of Hong Kong dollars, RMB and Canadian dollars.

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the functional currencies of the relevant group entities and the Company against the relevant foreign currencies. 10% (2008: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2008: 10%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the functional currencies of the relevant group entities and the Company strengthens against the relevant foreign currencies.

42. Financial instruments *(Continued)*

(d) Foreign currency risk management *(Continued)*

(i) Non-derivative foreign currency monetary assets and monetary liabilities *(Continued)*

THE GROUP

	Profit or loss	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**3,939**	5,102
USD	**14,101**	(5)
RMB	**(674)**	(1,445)

THE COMPANY

	Profit or loss	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**(9,262)**	(1,672)
RMB	**91**	(475)
Canadian dollars	**–**	(166)

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

(ii) Foreign currency forward contracts

During the year, the Group entered into several foreign currency non-deliverable forward contracts with banks to reduce its exposure to currency fluctuations risk of USD and RMB. These derivatives are not accounted for under hedge accounting. The Group are required to estimate the fair value of the forward currency non-deliverable forward contracts at the end of the reporting period, which therefore exposed the Group to foreign currency risk.

42. Financial instruments *(Continued)*

(d) Foreign currency risk management *(Continued)*

(ii) Foreign currency forward contracts *(Continued)*

Foreign currency sensitivity

The sensitivity analyses below have been determined based on the exposure to the Group's forward buying rate risk at the reporting date.

If the forward exchange rate of RMB against USD had been 10% (2008: 10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would increase (decrease) as follows:

	2009	2008
	HK$'000	HK$'000
Higher by 10%		
Derivative financial instruments:		
Foreign currency non-deliverable forward contracts	**13,231**	10,117
Lower by 10%		
Derivative financial instruments:		
Foreign currency non-deliverable forward contracts	**(16,171)**	(12,366)

(e) Interest rate risk management

(i) Non-derivative financial assets and financial liabilities

The Group and the Company are exposed to fair value interest rate risk in relation to interest-free loan to an associate and amounts due from subsidiaries and fixed-rate borrowings.

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances (see note 31 for details of these borrowings).

The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate.

42. Financial instruments *(Continued)*

(e) Interest rate risk management *(Continued)*

(i) Non-derivative financial assets and financial liabilities *(Continued)*

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 (2008: 50) basis point increase and a 10 (2008: 50) basis points decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

The management adjusted the sensitivity rate of the downward estimate from 50 basis points to 10 basis points for assessing interest rate risk after considering the market condition.

THE GROUP

If interest rates had been 50 (2008: 50) basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease by HK$1,415,000 (2008: HK$1,763,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

If interest rates had been 10 (2008: 50) basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase by HK$283,000 (2008: HK$1,763,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

THE COMPANY

If interest rates had been 50 (2008: 50) basis points higher and all other variables were held constant, the Company's profit for the year ended 31 December 2009 would decrease by HK$280,000 (2008: HK$671,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate borrowings.

If interest rates had been 10 (2008: 50) basis points lower and all other variables were held constant, the Company's profit for the year ended 31 December 2009 would increase by HK$56,000 (2008: HK$671,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate borrowings.

42. Financial instruments *(Continued)*

(e) Interest rate risk management *(Continued)*

(ii) Derivative financial assets and liabilities

During the year, the Group entered into several interest rate swap contracts with banks to reduce its exposure to interest rate risk in relation to variable-rate borrowings (see note 31 for details of these borrowings). These derivatives are not accounted for under hedge accounting. The Group are required to estimate the fair value of the interest rate swap contracts at the end of the reporting period, which therefore exposed the Group to interest rate risk.

Interest rate sensitivity

THE GROUP

If forward interest rates had been 10 (2008: nil) basis points higher/lower and all other variable were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease by HK$75,000 (2008: nil). This is mainly due to the Group's exposure to its interest rate swap contracts.

(f) Other price risks

The Group is required to estimate the fair value of the available-for-sale financial assets and financial assets designated at fair value through profit or loss representing club debentures and convertible bonds respectively, at the end of the reporting period, therefore, the Group is exposed to price risks arising from its available-for-sale financial assets and financial assets designated at fair value through profit or loss investments.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

Available-for-sale financial assets

If the prices of the club debenture had been 10% (2008: 10%) higher while all other variables were held constant, investment revaluation reserve would increase by HK$313,000 and profit for the year would increase by HK$21,000 (2008: increase in profit for the year by HK$164,000) mainly as a result of the changes in the fair value and impairment loss reversed on available-for-sale financial assets.

If prices of club debenture had been 10% (2008: 10%) lower while all other variables were held content, investment revaluation reserve would decrease by HK$313,000 and profit for the year would decrease by HK$21,000 (2008: decrease in profit for the year by HK$164,000) mainly as a result of change in fair value and impairment loss on available-for-sale financial assets.

Financial assets designated at fair value through profit or loss

If the price of the convertible bonds have been 5% (2008: nil) higher/lower while all other variables were held constant, profit for the year would increase/decrease by HK$1,054,000 (2008: nil) as a result of change in fair value of the convertible bonds.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

42. Financial instruments *(Continued)*

(g) Credit risk management

As at 31 December 2009, the Group's and the Company's maximum exposures to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company, without taking account of the value of any collateral obtained, are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the Company's statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 35.

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by credit limit allowed to counterparty that are reviewed and approved by the risk management committee annually.

The Group has concentration of credit risk on loan to an associates and amount due from an associate. The Company has concentration of credit risk on loan to an associate, amounts due from subsidiaries and amount due from an associate. The Group also has concentration of credit risk on several customers as 18% (2008: 29%) and 69% (2008: 80%) of the total receivables was due from the Group's largest customer and the five largest customers respectively.

The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99% (2008: 99%) of the total trade and bills receivables as at 31 December 2009.

42. Financial instruments *(Continued)*

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and undrawn borrowing facilities by continuously monitoring forecast and actual cash flows. The Group and the Company rely on bank borrowings as a significant source of liquidity. As at 31 December 2009, the Group and the Company have available unutilised overdraft and short-term bank loan facilities of approximately HK$773,470,000 (2008: HK$529,319,000) and HK$649,854,000 (2008: HK$529,319,000) respectively. Details of which are set out in note 31.

Liquidity and interest risk tables

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

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

42. Financial instruments *(Continued)*

(h) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

THE GROUP

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009								
Non-derivative financial liabilities								
Trade and bills payables	329,639	–	–	–	–	–	329,639	329,639
Other payables	11,080	–	–	–	–	–	11,080	11,080
Bank loans								
– variable rate	5,080	24,132	149,419	23,821	24,584	75,122	302,158	283,047
Rental deposits received	389	1,525	1,615	1,209	566	1,842	7,146	7,146
	346,188	25,657	151,034	25,030	25,150	76,964	650,023	630,912
Derivative – net settlement								
Foreign currency forward contracts	–	–	333	–	–	–	333	333
Interest rate swaps	–	–	285	–	–	–	285	285
	–	–	618	–	–	–	618	618

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008								
Non-derivative financial liabilities								
Trade and bills payables	97,576	18,206	56	–	–	–	115,838	115,838
Other payables	3,071	–	–	–	–	–	3,071	3,071
Trust receipt loans	71,822	–	–	–	–	–	71,822	71,735
Bank loans								
– variable rate	27,343	127,682	6,944	13,800	13,682	150,346	339,797	280,835
Rental deposits received	83	–	–	5,042	–	2,148	7,273	7,273
	199,895	145,888	7,000	18,842	13,682	152,494	537,801	478,752
Derivative – net settlement								
Foreign currency forward contracts	–	–	–	–	–	–	–	–
Interest rate swaps	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

42. Financial instruments *(Continued)*

(h) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

THE COMPANY

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009								
Non-derivative financial liabilities								
Trade and bills payables	**326,918**	**–**	**–**	**–**	**–**	**–**	**326,918**	**326,918**
Other payables	**262**	**–**	**–**	**–**	**–**	**–**	**262**	**262**
Bank loans								
– variable rate	**1,258**	**2,509**	**3,749**	**7,445**	**7,374**	**35,681**	**58,016**	**55,504**
Amounts due to subsidiaries	**237,006**	**–**	**–**	**–**	**–**	**–**	**237,006**	**237,006**
	565,444	**2,509**	**3,749**	**7,445**	**7,374**	**35,681**	**622,202**	**619,690**
Financial guarantee contracts	**1,409,305**	**–**	**–**	**–**	**–**	**–**	**1,409,305**	**–**

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008								
Non-derivative financial liabilities								
Trade and bills payables	94,841	18,105	–	–	–	–	112,946	112,946
Other payables	244	–	–	–	–	–	244	244
Trust receipt loans	71,822	–	–	–	–	–	71,822	71,735
Bank loans								
– variable rate	1,388	2,575	3,845	7,625	7,539	43,557	66,529	62,443
Amounts due to subsidiaries	198,624	–	–	–	–	–	198,624	198,624
	366,919	20,680	3,845	7,625	7,539	43,557	450,165	445,992
Financial guarantee contracts	994,835	–	–	–	–	–	994,835	–

42. Financial instruments *(Continued)*

(h) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable-interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable-interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(i) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) which are not quoted in active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- the fair value of available-for-sale financial assets are determined with reference to market bid price.

- the fair value of foreign currency non-deliverable forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- the fair value of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

- the fair value of convertible bonds are determined with reference to quoted market price of identical instrument provided by financial institutions.

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

42. Financial instruments *(Continued)*

(i) Fair value of financial instruments *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

THE GROUP

		31 December 2009	
	Level 1	**Level 2**	**Total**
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets	3,340	–	3,340
Financial assets at FVTPL			
Designated as at FVTPL	21,085	–	21,085
Derivative financial assets	–	652	652
	24,425	652	25,077
Financial liabilities at FVTPL			
Derivative financial liabilities	–	618	618

There were no transfers between Level 1 and 2 in the current year.

Schedule of Principal Properties

For The Year Ended 31 December 2009

Details of the principal properties held by the Group at 31 December 2009 are as follows:

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest %	Lease term
HONG KONG				
Shop A2 on Ground Floor East South Building 479-481 Hennessy Road and 29 Percival Street Causeway Bay, Hong Kong	430	Shop premises for rental	100%	Long lease
Shops Nos. G55, G56, G57 and G58 on Ground Floor, Site A Park Lane Shopper's Boulevard 111-139, 143-161 and 165-181 Nathan Road Tsimshatsui, Kowloon	3,032	Shop premises for rental	100%	Long lease
Portions A3 and A4 of Shop A Ground Floor, Hollywood Shopping Centre Wing Wah Building 12-24 Sai Yeung Choi Street South and 40P Shantung Street, Mongkok, Kowloon	326	Shop premises for rental	100%	Long lease
Flat No. 4 on 18th Floor Apartment Tower on the Western Side Convention Plaza No.1 Harbour Road, Hong Kong	1,400	Residential premises for rental	100%	Long lease
Carpark Space No. P20 on 2nd Floor King Kong Commercial Centre, No. 9 Des Voeux Road West, Hong Kong	200	Commercial building	100%	Long lease

Schedule of Principal Properties

For The Year Ended 31 December 2009

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest %	Lease term
MAINLAND CHINA				
Unit Nos. 404, 504, 604, 704 and 804 of Block 2, Kingswell Garden Lane 3887 Hong Mei Road Chang Ning District, Shanghai	10,903	Residential premises for rental	100%	Long lease
Unit Nos. 201 to 220 on Level 2 and Nos. 301 to 314 on level 3 of Block No. 1 Kingswell Garden, Lane 3887 Hong Mei Road Chang Ning District, Shanghai	40,734	Residential premises for rental	100%	Long lease
Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement 1 of Block No. 1 Kingswell Garden, Lane 3887 Hong Mei Road Chang Ning District, Shanghai	10,958 (club house)	Club house and car parking spaces	100%	Long lease
Shopping Arcade on Level of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road, Chang Ning District Shanghai	16,685	Shopping arcade for rental	100%	Long lease
Unit G 12/F Block 5 Silver Valley Garden Haikou, Hainan	1,162	Residential premises for sale	100%	Long lease
Units 6D, 6E, 14C, 17th, 23rd and 27th Floors, Western Portion of Level 1 Whole Floor of Level 2, Western Portion of Level 3 and Western Portion of Basement Levels 1-3 Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road, Jingan District, Shanghai	95,300	Residential apartments for sale, shopping arcade and carparks for rental	100%	Long lease
Emerald Court, No. 111 Xing Guo Road Xu Hui District, Shanghai	31,501 (Garden) 96,445 (House) 34,825 (Basement)	Residential premises for rental	43%	Long lease

Financial Summary

Results:

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,866,805**	1,604,840	1,395,161	1,459,948	1,580,394
Cost of sales	**(1,620,314)**	(1,449,221)	(1,348,685)	(1,259,419)	(1,309,108)
Gross profit	**246,491**	155,619	46,476	200,529	271,286
Other income	**7,541**	20,452	11,057	9,212	2,919
Increase (decrease) in fair value of investment properties	**56,591**	(3,372)	98,850	22,176	31,824
Change in fair value of financial assets designated at fair value through profit or loss	**1,841**	–	–	–	–
Change in fair value of derivative financial instruments	**(1,549)**	6,268	–	–	–
Gain on disposal of assets classified as held for sale	**–**	21,604	–	–	–
Impairment of goodwill	**–**	–	(19,308)	–	–
Reversal of impairment loss (impairment loss) on available-for-sale financial assets	**680**	(1,235)	–	–	–
Distribution costs	**(104,746)**	(104,609)	(83,333)	(124,064)	(221,414)
Administrative expenses	**(40,269)**	(29,164)	(30,163)	(30,505)	(24,597)
Other expenses	**–**	–	–	–	(11,471)
Finance costs	**(6,876)**	(18,343)	(15,960)	(12,242)	(7,003)
Share of results of associates	**11,571**	4,569	26,770	663	(4,482)
Profit before taxation	**171,275**	51,789	34,389	65,769	37,062
Income tax expenses	**(16,379)**	(1,227)	(4,549)	(3,326)	(7,638)
Profit for the year	**154,896**	50,562	29,840	62,443	29,424
Attributable to:					
Owners of the Company	**154,896**	50,562	29,840	62,443	30,151
Minority interests	**–**	–	–	–	(727)
	154,896	50,562	29,840	62,443	29,424
Earnings per share	**HK59.19 cents**	HK19.32 cents	HK11.40 cents	HK23.86 cents	HK11.52 cents

Assets and liabilities:

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,651,743**	1,303,525	1,236,424	1,104,194	930,214
Total liabilities	**(799,482)**	(605,755)	(611,239)	(540,571)	(430,949)
	852,261	697,770	625,185	563,623	499,265
Equity attributable to owners of the Company	**852,261**	697,770	625,185	563,623	499,265
Minority interests	**–**	–	–	–	–
	852,261	697,770	625,185	563,623	499,265

Note: The above financial summary of 2005 has not been adjusted to take into account the effect on the adoption of certain HKFRSs that are effective for accounting periods beginning on or after 1 January 2007.

The above financial summary prior to 2006 has not been adjusted to take into account the effect on the prior year adjustment on the deferred tax liabilities made in the consolidated financial statements for the year ended 31 December 2007.