大中華實業控股有限公司

GREATER CHINA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 431

Annual Report 2008

Contents

Corporate Information

Executive Directors

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

Non-executive Director

Mr. Chan Sze Hon

Independent Non-executive Directors and Audit Committee

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

Company Secretary

Ms. Chan Siu Mun

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Bank of China
The Hongkong and Shanghai Banking Corporation Limited

Legal Advisors

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

Head Office and Principal Place of Business

Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Share Registrars and Transfer Office

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

Hong Kong Branch Share Registrars and Transfer Office

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

Stock Code

431

Website

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

Chairman's Statement

On behalf of the board of directors (the "Board") of Greater China Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report for the year ended 31 December 2008.

Review of Operations

In 2008, the Group's operation of production and sale of fertilizers and chemicals is still under severe competition. Consequently, a loss of approximately HK$173,000 was resulted for the period under review.

For the industrial property development business, the construction of depot facilities in Taicang, the People's Republic of China (the "PRC") is under progress. The construction is expected to be completed by mid of 2009.

Prospects

With the commencement of operation of the depot facilities in the PRC in mid 2009, the Board is confident that both the revenue and the cash flow of the Group will be improved and further strengthened as a whole.

In addition, the Group acquired a commercial premise of approximately RMB13,838,000 in Beijing as an ancillary office of the Group in early 2009. The premise is located at a prime commercial area of Beijing. With the establishment of a presence in the capital city, the management will continue to explore more business opportunity to maximize the returns to the shareholders.

Appreciation

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

Ma Xiaoling
Chairman

Hong Kong, 24 April 2009

Management Discussion and Analysis

Business Review

For the year ended 31 December 2008, turnover of the Group amounted to HK$4,458,000 (2007: HK$5,218,000) and loss for the year amounted to HK$35,743,000 (2007: HK$34,572,000). Despite of competitive business environment and the global financial difficulty in the later half of 2008, the management strived to maintain the operations of the Group and continued to control the costs and carry on the construction of the depot facilities in the PRC.

During the year under review, a segment loss of HK$173,000 was resulted for the production and sale of fertilizers and chemical segment (2007: profit of HK$900,000). The loss is due to the keen competition in the industry and the slow down of the economic environment in the PRC which led to a reduction in both the sales and the profit margin of the operation. The management will monitor the operation closely and explore various opportunities to widen the customer base and improve the profit margin in the coming year.

For the industrial property development business, the construction of the depot facilities is still in progress.

Financial Review

Liquidity and Financial Resources

As at 31 December 2008, the Group has current ratio of approximately 2.43 compared to that of 17.85 as at 31 December 2007 and the gearing ratio was 0.04 compared to that of 0.03 as at 31 December 2007. The calculation of gearing ratio was based on the total borrowings as at 31 December 2008 of HK$10,152,000 (2007: HK$9,142,000) and the equity attributable to equity holders at 31 December 2008 of HK$258,461,000 (2007: HK$279,590,000).

Capital commitment in respect of the acquisition and construction of property, plant and equipment amounted to HK$147,401,000 (2007: HK$24,790,000). A banking facility of RMB25,000,000 was obtained in early 2009 and is used to settle part of the contracts included in the capital commitment.

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

Prospects

The Group's industrial property development is still in progress. The completion schedule of the depot facilities is deferred due to the global financial crisis and the slow down of the economic growth in the PRC which affect the import and export volume accordingly. Nevertheless, the depot facilities are expected to be completed by mid of 2009 and the management is confident that operation environment in the PRC will be improved by the time the depot facilities commence operation. The operation of the depot facilities are expected to generate stable income and cashflow to the Group as a whole.

Management Discussion and Analysis

In January 2009, the Group acquired a commercial premise of approximately RMB13,838,000 in Beijing as an ancillary office of the Group. The premise is located at a prime commercial area of Beijing. With the establishment of a presence in the capital city, the management will continue to explore more business opportunity to maximize the returns to the shareholders.

Charges on Assets

As at 31 December 2008, property, plant and equipment of HK$9,675,000 (2007: HK$7,127,000) are pledged against a bank loan granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2008.

Employees and Remuneration Policies

As at 31 December 2008, the Group has approximately 60 employees. Remuneration is determined by reference to their respective qualifications and experience and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

Biographical Details of Directors

Executive Directors

Ms. Ma Xiaoling, aged 33, is the Chairman of the Company since July 2005. Ms. Ma graduated from Lanzhou Commercial College in the People's Republic of China (the "PRC") in 1998 majoring in International Trade and obtained a Bachelor Degree in Economics. Ms. Ma has years of experience in property development and investments in the PRC and Hong Kong. Ms. Ma is the sole director and beneficial owner of Keenlead Holdings Limited, which is the controlling shareholder of the Company.

Ms. Chan Siu Mun, aged 34, was appointed as an executive director of the Company since March 2008. Ms. Chan holds a Bachelor of Business Administration (Accounting and Finance) degree from the University of Hong Kong. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan has over 10 years of experience in auditing, accounting and financial management. Before joining the Company, she worked in an international professional audit firm and a number of listed companies.

Non-executive Director

Mr. Chan Sze Hon, aged 35, was appointed as Executive Director since July 2005. He graduated from City University of Hong Kong with a Bachelor of Arts Degree in Accountancy and is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has 13 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong. Mr. Chan is also an independent non-executive director of China Mining Resources Group Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Blu Spa Holdings Limited and Era Information & Entertainment Limited, both shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Independent Non-executive Directors

Mr. Ching Men Ky, Carl, aged 64, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Tak Ming College with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from Beijing International Business School) in the PRC. Mr. Ching has years of experience in business management. He has also been participating in various social activities and has been acting as the director of United World Chinese Association Limited and the director of Asian Professional Basketball Management and Development Company Limited. Mr. Ching is currently an executive director of Sino Union Petroleum & Chemical International Limited, whose shares are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors

Mr. Lin Ruei Min, aged 65, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from the Department of Politics of Fu Hsing Kang College in Taiwan. Mr. Lin is currently the Chief Consultant of an asset management consultant company in Taiwan. He is the founder of Taiwan branch of United World Chinese Association Limited.

Mr. Shu Wa Tung, Laurence, aged 36, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Deakin University in Australia with a Bachelor Degree in Business majoring in Accounting. Mr. Shu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia. He has over 10 years of experience in audit, corporate finance and corporate advisory services.

Corporate Governance Report

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

Code on Corporate Governance Practices

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

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

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

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

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

The Board

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

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

Corporate Governance Report

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

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

Board Meeting

The Board held 6 meetings during the year of 2008. The individual attendance record is as follows:

Directors	**Number of attendance**
Executive directors:	
Ms. Ma Xiaoling	6/6
Ms. Chan Siu Mun	6/6
Non-executive directors:	
Mr. Chan Sze Hon	6/6
Independent non-executive directors:	
Mr. Ching Men Ky Carl	6/6
Mr. Lin Ruei Min	6/6
Mr. Shu Wa Tung Laurence	6/6

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

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

Model Code for Securities Transactions By Directors

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

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Group's financial statements for the year ended 31 December 2008 have been reviewed by the audit committee. The audit committee of the Company currently comprises three independent non-executive directors, including Mr. Ching Men Ky, Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung, Laurence.

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

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

Remuneration Committee

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

Nomination of Directors

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

Auditors' Remuneration

For the year ended 31 December 2008, the total remuneration in respect of audit services paid and payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, amounted to approximately HK$1,130,000.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

Principal Activities

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

Results

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 18.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

Purchase, Sale and Redemption of the Listed Securities

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

Major Customers and Suppliers

For the year ended 31 December 2008, the sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 20% and 56% of the total revenue for the year respectively. The largest supplier and the five largest suppliers accounted for approximately 40% and 72% of the Group's purchases respectively.

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

Directors' Report

Directors

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

Executive directors:

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

Non-Executive Director:

Mr. Chan Sze Hon

Independent Non-Executive Directors:

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

In accordance with clauses 99(A) and 99(B) of the Company's Bye-Laws, Mr. Chan Sze Hon and Mr. Ching Men Ky, Carl will retire and, being eligible, offer himself for re-election.

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

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2008, the interests of the directors and chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b)

Directors' Report

were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions

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

Note: Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 31 December 2008.

Save as disclosed above, as at 31 December 2008, none of the directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Arrangements to Purchase Shares or Debentures

Other than the share option scheme as disclosed in note 27 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

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

Interests of Substantial Shareholders

So far as is known to the directors, as at 31 December 2008, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

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

Notes:

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

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

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

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 December 2008.

Directors' Report

Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme is set out in note 27 to the consolidated financial statements.

Pre-emptive Rights

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

Post Balance Sheet Event

Details of significant events occurring after the balance sheet date are set out in note 36 to the consolidated financial statements.

Auditors

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

On behalf of the Board

Ma Xiaoling
Chairman
Hong Kong,

24 April 2009

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Greater China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 63, which comprise the consolidated balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with the HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	5	**4,458**	5,218
Cost of sales		**(3,747)**	(2,615)
Gross profit		**711**	2,603
Other income	7	**2,981**	5,945
Selling and distribution costs		**(270)**	(530)
Administrative expenses		**(39,937)**	(34,204)
Impairment loss on goodwill	20	**–**	(7,586)
Impairment loss on available-for-sale investments	17	**–**	(3,000)
Finance costs	8	**(453)**	(409)
Loss before tax		**(36,968)**	(37,181)
Income tax credit	9	**1,225**	14,265
Loss for the year from continuing operations		**(35,743)**	(22,916)
Discontinued operations			
Loss for the year from discontinued operations	10	**–**	(11,656)
Loss for the year	11	**(35,743)**	(34,572)
Attributable to:			
Equity holders of the Company		**(35,458)**	(32,200)
Minority interests		**(285)**	(2,372)
		(35,743)	(34,572)
Loss per share	14		
From continuing and discontinued operations			
— Basic		**(11.83 cents)**	(11.14 cents)
From continuing operations			
— Basic		**(11.83 cents)**	(7.10 cents)

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**69,954**	9,538
Prepaid lease payments	16	**89,076**	31,822
Available-for-sale investments	17	**—**	—
Prepayments for project development	18	**14,318**	15,714
Deposits for acquisition of land and buildings	19	**49,364**	—
Goodwill	20	**—**	—
		222,712	57,074
Current assets			
Inventories	21	**40**	57
Trade and other receivables	22	**1,617**	26,826
Prepaid lease payments	16	**1,935**	756
Prepayments and deposits		**573**	2,927
Amount due from a minority shareholder of a subsidiary	35(a)	**—**	103
Bank balances and cash	23	**58,109**	206,289
		62,274	236,958
Current liabilities			
Other payables		**15,525**	4,134
Amounts due to a minority shareholder of subsidiaries	35(b)	**7,879**	7,003
Bank loans	24	**2,273**	2,139
		25,677	13,276
Net current assets		**36,597**	223,682
Total assets less current liabilities		**259,309**	280,756

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liability			
Deferred tax liabilities	25	–	1,166
		259,309	279,590
Capital and reserves			
Share capital	26	**1,499**	1,499
Reserves		**256,962**	278,091
Equity attributable to equity holders of the Company		**258,461**	279,590
Minority interests		**848**	—
Total equity		**259,309**	279,590

The consolidated financial statements on pages 18 to 63 were approved and authorised for issue by the Board of Directors on 24 April 2009 and are signed on its behalf by:

Ma Xiaoling	**Chan Siu Mun**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company						
	Share capital	Share premium	Translation reserve	Deficit	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	1,430	371,174	395	(74,011)	298,988	17,115	316,103
Exchange differences arising on translation directly recognised in equity	—	—	4,626	—	4,626	1,323	5,949
Loss for the year	—	—	—	(32,200)	(32,200)	(2,372)	(34,572)
Total recognised income and expense for the year	—	—	4,626	(32,200)	(27,574)	(1,049)	(28,623)
Acquisition of additional interest in subsidiaries (note 28)	69	8,107	—	—	8,176	(16,066)	(7,890)
At 31 December 2007 and 1 January 2008	1,499	379,281	5,021	(106,211)	279,590	—	279,590
Exchange differences arising on translation directly recognised in equity	—	—	14,329	—	14,329	34	14,363
Loss for the year	—	—	—	(35,458)	(35,458)	(285)	(35,743)
Total recognised income and expense for the year	—	—	14,329	(35,458)	(21,129)	(251)	(21,380)
Capital contribution from a minority shareholder	—	—	—	—	—	1,099	1,099
At 31 December 2008	1,499	379,281	19,350	(141,669)	258,461	848	259,309

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(35,743)**	(34,572)
Adjustments for:			
Income tax credit		**(1,225)**	(14,265)
Amortisation and depreciation		**3,361**	2,031
Loss on disposal of property, plant and equipment		**–**	19
Net loss on disposal of subsidiaries		**–**	10,099
Impairment loss on goodwill		**–**	7,586
Impairment loss on available-for-sale investments	17	**–**	3,000
Interest income		**(1,649)**	(5,557)
Finance costs		**453**	3,843
Operating cash flows before movements in working capital		**(34,803)**	(27,816)
Decrease in inventories		**30**	16
Decrease (increase) in trade and other receivables		**4,064**	(1,188)
Decrease (increase) in prepayments and deposits		**3,044**	(1,147)
Decrease in other payables		**(530)**	(1,705)
Cash used in operations		**(28,195)**	(31,840)
Interest paid		**(150)**	(3,843)
NET CASH USED IN OPERATING ACTIVITIES		**(28,345)**	(35,683)
INVESTING ACTIVITIES			
Prepayment for project development		**(14,318)**	(4,843)
Decrease (increase) in other receivables	22	**22,472**	(21,390)
Interest received		**1,649**	5,557
Purchase of property, plant and equipment		**(46,612)**	(1,450)
Acquisition of prepaid lease payments		**(45,735)**	–
Deposits for acquisition of land and buildings		**(49,364)**	–
Net cash inflow arising from disposal of subsidiaries	29	**5,000**	416,892
Repayment from a minority shareholder of a subsidiary		**–**	42,650
Net cash outflow arising from acquisition of additional interest in subsidiaries	28	**–**	(77,371)
Repayment from a minority shareholder of subsidiaries		**103**	–

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(126,805)**	360,045
FINANCING ACTIVITIES			
Bank loans raised		**2,247**	2,139
Capital contribution from a minority shareholder of a subsidiary		**1,099**	—
Repayment of bank loans		**(2,247)**	(181,471)
Advance from a minority shareholder of subsidiaries		**573**	1,227
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,672**	(178,105)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(153,478)**	146,257
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**206,289**	57,361
Effect of foreign exchange rate changes		**5,298**	2,671
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**58,109**	206,289

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. Basis of Presentation

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

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

The Company acts as an investment holding company. Particulars of the Company's principal subsidiaries at 31 December 2008 and 2007, are as follows:

Name	Place of incorporation and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			2008		2007		
			Directly	**Indirectly**	Directly	Indirectly	
Delight Link Enterprises Limited	Hong Kong	Ordinary HK$2	**100%**	**–**	100%	–	Provision of administrative services to group companies
珠海經濟特區瑞農植保技術有限公司 Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co. Ltd.	PRC	Registered capital RMB10,011,239	**–**	**51%**	–	51%	Production and sale of fertilizers and chemicals
Keycharm Investments Limited ("Keycharm")	British Virgin Islands ("BVI")	Ordinary US$100	**–**	**100%**	–	100%	Investment holding
太倉中化國際興業石化開發建設有限公司 Taicang Sinochem International Xingye Petrochemical Development Company Limited ("Taicang")	PRC	Registered capital RMB240,000,000	**–**	**100%**	–	100%	Industrial property development with focus on port infrastructure and warehouse projects
北京三智興業投資有限公司	PRC	Registered capital RMB20,000,000	**–**	**95%**	–	–	Provision of consultancy services and trading of merchandise

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. Basis of Presentation (Continued)

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

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

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

In the current year, the Group has applied, the following amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) — Interpretations ("HK(IFRIC)") — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of these interpretations and amendments had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 15	Accounting for Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[7]

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

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods ending on or after 30 June 2009

[5] Effective for annual periods beginning on or after 1 July 2008

[6] Effective for annual periods beginning on or after 1 October 2008

[7] Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

3. Significant Accounting Policies

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition 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 into line with those used by other members of the Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

Business combinations

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

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

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.

Acquisition of additional interest in subsidiaries

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

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

3. Significant Accounting Policies (Continued)

Goodwill (Continued)

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 consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

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

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

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

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

Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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

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

Leasehold land held for owner-occupied purpose

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If 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 immediately in consolidated income statement.

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

Inventories

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

Leasing

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

3. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

Exchange differences arising on the settlement of monetary items, and on the transaction of monetary items, are recognised in the consolidated income statement in the period in which they arise.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in income statement in the period in which a foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 substantially enacted by the balance sheet date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into financial assets as loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amount due from a minority shareholder of a subsidiary and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. For unlisted available-for-sale equity investments whose fair value cannot be measured reliably, such equity investments are measured at cost less impairment. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in subsequent periods through consolidated income statement (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Income is recognised on an effective interest basis.

Impairment of financial assets

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities include other payables, amounts due to a minority shareholder of subsidiaries and bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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 directly in equity is recognised in the consolidated income statement.

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

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

Included in property, plant and equipment mainly represented warehouse under construction. Determining whether warehouse under construction is impaired requires an estimation of future expected cash flows from the warehouse project and a suitable discount rate. The carrying amount of property, plant and equipment is HK$69,954,000 (2007: HK$9,538,000). The carrying amount of warehouse under construction is HK$56,312,000 (2007: Nil).

4. Key Sources of Estimation Uncertainty (Continued)

Determining whether prepaid lease payments are impaired requires an estimation of fair value of the prepaid lease payments less cost to sell and future expected cash flows from the prepaid lease payments. The carrying amount of prepaid lease payments is HK$91,011,000 (2007: HK$32,578,000).

For the year ended 31 December 2008 and 2007, no impairment loss has been recognised for property, plant and equipment and prepaid lease payments.

5. Revenue

Revenue represents revenue arising on sales of fertilizers and chemicals and rental income. An analysis of the Group's revenue for the current and prior year for both continuing and discontinued operations, is as follows:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Sales of goods	4,458	5,218
Discontinued operations		
Rental income	–	2,654
Consolidated	4,458	7,872

6. Business and Geographical Segments

Business segments

For management purposes, the Group is currently engaged in the sale of fertilizers and chemicals and investment holding. In addition, the Group is undergoing industrial property development in relation to port infrastructure and warehouse project divisions, which will carry out petrochemical industry projects and provide transportation related logistics facilities. The Group also operated property investment segment, which was discontinued in 2007. These divisions are the basis on which the Group reports its primary segment information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Business and Geographical Segments (Continued)

Business segments (Continued)

Segment information about these businesses is presented below.

INCOME STATEMENT

For the year ended 31 December 2008

	Continuing operations			
	Fertilizers and chemicals HK$'000	Investment holding HK$'000	Industrial property development HK$'000	Total HK$'000
SEGMENT REVENUE	**4,458**	**–**	**–**	**4,458**
RESULTS				
Segment result	**(173)**	**(27)**	**(28,609)**	**(28,809)**
Unallocated corporate income				**1,689**
Unallocated corporate expenses				**(9,395)**
Finance costs				**(453)**
Loss before tax				**(36,968)**
Income tax credit				**1,225**
Loss for the year				**(35,743)**

For the year ended 31 December 2007

	Continuing operations				Discontinued operations	
	Fertilizers and chemicals HK$'000	Investment holding HK$'000	Industrial property development HK$'000	Total HK$'000	Property investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE	5,218	–	–	5,218	2,654	7,872
RESULTS						
Segment result	900	(3,046)	(16,759)	(18,905)	(8,222)	(27,127)
Unallocated corporate income				5,640	–	5,640
Unallocated corporate expenses				(23,507)	–	(23,507)
Finance costs				(409)	(3,434)	(3,843)
Loss before tax				(37,181)	(11,656)	(48,837)
Income tax credit				14,265	–	14,265
Loss for the year				(22,916)	(11,656)	(34,572)

6. Business and Geographical Segments (Continued)

Business segments (Continued)

BALANCE SHEET

At 31 December 2008

	Fertilizers and chemicals HK$'000	Investment holding HK$'000	Industrial property development HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	**11,364**	**–**	**214,183**	**225,547**
Unallocated corporate assets				**59,439**
Consolidated total assets				**284,986**
LIABILITIES				
Segment liabilities	**1,585**	**2**	**12,034**	**13,621**
Unallocated corporate liabilities				**12,056**
Consolidated total liabilities				**25,677**

At 31 December 2007

	Fertilizers and chemicals HK$'000	Investment holding HK$'000	Industrial property development HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	12,302	5,329	67,681	85,312
Unallocated corporate assets				208,720
Consolidated total assets				294,032
LIABILITIES				
Segment liabilities	1,484	338	835	2,657
Unallocated corporate liabilities				11,785
Consolidated total liabilities				14,442

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Business and Geographical Segments (Continued)

Business segments (Continued)

OTHER INFORMATION

For the year ended 31 December 2008

	Continuing operations				
	Fertilizers and chemicals HK$'000	Investment holding HK$'000	Industrial property development HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	**363**	**–**	**118,641**	**3**	**119,007**
Deposits for acquisition of land and buildings	**–**	**–**	**49,364**	**–**	**49,364**
Amortisation and depreciation	**899**	**–**	**2,218**	**244**	**3,361**

For the year ended 31 December 2007

	Continuing operations					Discontinued operations	
	Fertilizers and chemicals HK$'000	Investment holding HK$'000	Industrial property development HK$'000	Unallocated HK$'000	Total HK$'000	Property investment HK$'000	Consolidated HK$'000
Capital additions	530	–	55	865	1,450	–	1,450
Amortisation and depreciation	765	–	1,094	172	2,031	–	2,031
Impairment loss on goodwill	–	–	7,586	–	7,586	–	7,586
Impairment loss on available-for-sale investments	–	3,000	–	–	3,000	–	3,000
(Gain) loss on disposal of subsidiaries	–	–	–	(111)	(111)	10,210	(10,099)

6. Business and Geographical Segments (Continued)

Geographical segments

The following table provides an analysis of the Group's sales by geographical market based on location of customers, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008	2007
	HK$'000	HK$'000
Hong Kong	**–**	2,654
Other regions in the People's Republic of China (the "PRC")	**4,458**	5,218
	4,458	7,872

Revenue from the Group's discontinued operations was derived principally from Hong Kong.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, prepaid lease payments and deposits for acquisition of land and buildings analysed by geographical areas in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment, prepaid lease payments and deposit for acquisition of land and buildings	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	5,330	**3**	865
Other regions in the PRC	**225,547**	79,982	**168,368**	585
	225,547	85,312	**168,371**	1,450

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. Other Income

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank interest income	**1,649**	5,529	**—**	28	**1,649**	5,557
Sundry income	**868**	235	**—**	—	**868**	235
Government grant	**98**	70	**—**	—	**98**	70
Gain on disposal of subsidiaries (note 29)	**—**	111	**—**	—	**—**	111
Investment income	**366**	—	**—**	—	**366**	—
	2,981	5,945	**—**	28	**2,981**	5,973

8. Finance Costs

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on borrowings wholly repayable within five years:						
Bank borrowings	**150**	107	**—**	3,434	**150**	3,541
Other borrowings	**303**	302	**—**	—	**303**	302
	453	409	**—**	3,434	**453**	3,843

9. Income Tax Credit

	Continuing operations		Discontinued operations		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Current tax:						
Reversal of income tax payable arising from disposal of dormant subsidiaries (note 29)	**–**	14,687	**–**	–	**–**	14,687
Deferred tax credit (note 25):						
Current year	**–**	–	**–**	–	**–**	–
Overprovision in prior year	**1,225**	–	**–**	–	**1,225**	–
Attributable to a change in tax rate	**–**	(422)	**–**	–	**–**	(422)
	1,225	14,265	**–**	–	**1,225**	14,265

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% (2007: 17.5%) of the estimated assessable profit for the year.

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

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

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation, followed by a 50% deduction for the next three years. A subsidiary established in Zhuhai Special Administrative Region in the PRC is entitled to preferential rate of 15%. No provision for PRC income tax has been made as all of the PRC subsidiaries are either not making profit in the year or profit exempted from PRC enterprise income tax.

The income tax credit for the year 2007 arose from the reversal of income tax payable as a consequence of the disposal of the dormant companies which carried the tax payable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. Income Tax Credit (Continued)

In 2007, the National People's Congress of the PRC approved the new PRC enterprise income tax law. With effect from 1 January 2008, the tax rate will be unified for both domestic and foreign investment enterprises at the rate of 25%. In addition, on 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate of the subsidiary established in Zhuhai Special Administrative Region from 15% to 18%, 20%, 22%, 24% and 25% for the year ending 31 December 2008, 2009, 2010, 2011, 2012 respectively for the subsidiary of the Company. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply in 2007. As a result of the change in tax rate, a deferred tax expense of HK$422,000 has been recognised in the consolidated income statement for the year ended 31 December 2007.

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

	2008 HK$'000	2007 HK$'000
Loss before tax:		
Continuing operations	(36,968)	(37,181)
Discontinued operations	–	(11,656)
	(36,968)	(48,837)
Tax expense at domestic tax rate of 25% (2007: 17.5%)	(9,242)	(8,546)
Tax effect of expenses not deductible for tax purpose	1,657	7,467
Tax effect of income not taxable for tax purpose	(533)	(976)
Reversal of income tax payable arising from disposal of dormant subsidiaries	–	(14,687)
Tax effect of tax losses not recognised as deferred tax asset	7,294	2,191
Tax effect of tax exemption granted to PRC subsidiaries	64	(136)
Increase in deferred tax liabilities resulting from increase in applicable tax rate	–	422
Overprovision for deferred tax liabilities in prior year	(1,225)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	760	–
Income tax credit for the year	(1,225)	(14,265)

Note: For the year ended 31 December 2007, tax expense was calculated at Hong Kong Profits Tax rate of 17.5% for reconciliation purpose. For the year ended 31 December 2008, tax expense was calculated at PRC tax rate of 25% as all Hong Kong operations were discontinued for the year ended 31 December 2007.

10. Discontinued Operations

For the year ended 31 December 2007

On 2 March 2007, the Group entered into a share agreement as amended by a supplementary share agreement (note 29) with an independent third party to dispose of a subsidiary, China Faith Limited, which was engaged in property investment. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 20 March 2008, on which date control of China Faith Limited passed to the acquirer.

The loss for the year from the discontinued operation is analysed as followings:

	2007 HK$'000
Loss from property investment operation for the year	(1,446)
Loss on disposal of property investment operation	(10,210)
	(11,656)

The results and cash flows of this discontinued operation included in the consolidated income statement and the consolidated cash flow statement are set out below:

	2007 HK$'000
Loss for the year from discontinued operation	
Revenue	2,654
Rental outgoings	(489)
Other income	28
Gain on change in fair value of investment properties	—
Administrative expenses	(205)
Finance costs	(3,434)
Loss for the year	(1,446)
Cash flows from discontinued operation	
Net cash flows from operating activities	680
Net cash flows from investing activity	28
Net cash flows used in financing activities	(15,014)
	(14,306)

The carrying amounts of the assets and liabilities of China Faith Limited at the date of disposal are disclosed in note 29.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

11. Loss for the Year

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss for the year has been arrived at after charging (crediting):						
Amortisation of prepaid lease payments	**918**	756	**–**	–	**918**	756
Depreciation of property, plant and equipment	**2,443**	1,275	**–**	–	**2,443**	1,275
	3,361	2,031	**–**	–	**3,361**	2,031
Auditor's remuneration	**1,209**	1,115	**–**	–	**1,209**	1,115
Loss on disposal of property, plant and equipment	**–**	19	**–**	–	**–**	19
Research and development costs (included in administrative expenses)	**4,240**	8,901	**–**	–	**4,240**	8,901
Rental income less outgoings of HK$489,033	**–**	–	**–**	(2,165)	**–**	(2,165)
Staff costs including directors' emoluments	**17,155**	13,160	**–**	–	**17,155**	13,160
Exchange loss	**1,432**	82	**–**	–	**1,432**	82

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. Directors' Emoluments

The emoluments paid or payable to each of the 6 (2007: 5) directors were as follows:

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

	Ma Xiaoling HK$'000	Chan Sze Hon HK$'000	Carl, Ching Men Ky HK$'000	Lin Ruei Min HK$'000	Laurence Shu Wa Tung HK$'000	2007 HK$'000
Fees	—	—	240	240	240	720
Other emoluments						
Salaries and other benefits	2,303	930	—	—	—	3,233
Discretionary bonus	1,640	1,140	—	—	—	2,780
Contribution to retirement benefits schemes	—	12	—	—	—	12
Total emoluments	3,943	2,082	240	240	240	6,745

No director waived any emoluments in the years ended 31 December 2008 and 2007.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. Employees' Emoluments

Two (2007: two) of the five individuals with the highest emoluments in the Group are directors of the Company whose emoluments are included in disclosures in note 12 above. The aggregate emoluments of the remaining three (2007: three) are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**6,249**	2,509
Contributions to retirement benefit scheme	**—**	15
	6,249	2,524

Their emoluments were within the following bands:

	2008 No. of employees	2007 No. of employees
HK$ nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$3,500,001 to HK$4,000,000	**1**	—

14. Loss per Share

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of HK$35,458,000 (2007: HK$32,200,000) and 299,847,000 shares (2007: the weighted average of 289,178,000 shares) in issue during the year.

From continuing operations

The calculation of the basic loss per share from continuing operations is based on the loss attributable to equity holders of the Company of HK$35,458,000 (2007: HK$20,544,000) and 299,847,000 shares (2007: the weighted average of 289,178,000 shares) in issue during the year.

14. Loss per Share (Continued)

From discontinued operation

Basic loss per share for the discontinued operation for 2007 was 4.04 cents per share, based on the loss for the year from the discontinued operations attributable to equity holders of the Company of HK$11,656,000 and the weighted average of 289,178,000 shares in issue in year 2007.

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

15. Property, Plant and Equipment

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Factory building/ warehouse under construction HK$'000	Total HK$'000
COST						
At 1 January 2007	5,319	1,234	852	1,505	2,294	11,204
Exchange difference	370	86	26	105	159	746
Transfer from factory building under construction	2,482	—	—	—	(2,482)	—
Additions	—	189	952	280	29	1,450
Disposal	—	—	(124)	—	—	(124)
At 31 December 2007 and 1 January 2008	8,171	1,509	1,706	1,890	—	13,276
Exchange realignment	511	94	35	145	—	785
Additions	117	243	929	4,725	56,312	62,326
At 31 December 2008	8,799	1,846	2,670	6,760	56,312	76,387
DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	1,675	348	225	162	—	2,410
Exchange realignment	116	24	7	11	—	158
Provided for the year	388	212	269	406	—	1,275
Eliminated on disposal	—	—	(105)	—	—	(105)
At 31 December 2007 and 1 January 2008	2,179	584	396	579	—	3,738
Exchange realignment	136	37	15	64	—	252
Provided for the year	457	235	500	1,251	—	2,443
At 31 December 2008	2,772	856	911	1,894	—	6,433
CARRYING VALUES						
At 31 December 2008	6,027	990	1,759	4,866	56,312	69,954
At 31 December 2007	5,992	925	1,310	1,311	—	9,538

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. Property, Plant and Equipment (Continued)

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

Buildings	5%
Plant and machinery	10% - 20%
Furnitures, fixtures and equipment	10% - 33%
Motor vehicles	20%

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

16. Prepaid Lease Payments

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

	2008 HK$'000	2007 HK$'000
Analysed for reporting purposes as:		
Current assets	**1,935**	756
Non-current assets	**89,076**	31,822
	91,011	32,578

During the year, the Group has acquired medium-term land use rights of HK$56,681,000 in Taicang, the PRC. The Group is still under the process to obtain the relevant land use right certificate of this piece of land as of 31 December 2008.

17. Available-for-sale Investments

	2008 HK$'000	2007 HK$'000
At cost	**3,000**	3,000
Impairment loss	**(3,000)**	(3,000)
	–	–

17. Available-for-sale Investments (Continued)

At 31 December 2008 and 2007, the Group had unlisted equity interest in the following company:

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

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

18. Prepayments for Project Development

As at 31 December 2008, the amount represents prepayment of fee for designing the development site in connection with industrial development projects. The prepayment represents 30% of the total agreed consideration. The relevant service has not yet been provided by the supplier.

As at 31 December, 2007, the amount represented payments made to various developers in connection with the constructions of a warehouse. The construction work commenced in 2008 and hence the amount has been reclassified to warehouse under construction (note 15).

19. Deposits for Acquisition of Land and Buildings

The amount represents deposits paid for acquiring land use rights on a piece of land located in Taicang, the PRC, of HK$33,171,000 and for acquiring offices located in Beijing, the PRC, of HK$16,193,000 (note 35).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

20. Goodwill

	2008 HK$'000	2007 HK$'000
COST		
At the beginning of the year	**15,369**	7,783
Arising on acquisition of additional interest in subsidiaries (note 28)	**–**	7,586
At the end of the year	**15,369**	15,369
ACCUMULATED IMPAIRMENT LOSS		
At the beginning of the year	**15,369**	7,783
Impairment loss recognised in the year	**–**	7,586
At the end of the year	**15,369**	15,369
CARRYING AMOUNTS		
At the beginning and at the end of the year	**–**	–

Upon entering agreements to acquire the additional interest in subsidiaries in 2007, the management of Company anticipated that the underlying projects would be profitable and agreed to acquire the additional interest in subsidiaries at mutually agreed considerations. Goodwill of HK$7,586,000 arising from such acquisitions was attributable to a potential port infrastructure project. At 31 December 2007, the management of Company took into consideration the status of the relevant project when determining the recoverable amount of the cash generating unit involved. The recoverable amount of the cash generating unit approximates to the carrying value of its tangible net assets. Accordingly, an impairment loss of HK$7,568,000 has been recognised in the consolidated income statement during the year ended December 31, 2007.

21. Inventories

	2008 HK$'000	2007 HK$'000
Raw materials	**–**	–
Finished goods	**40**	57
	40	57

22. Trade and Other Receivables

	2008 HK$'000	2007 HK$'000
Trade receivables	**334**	129
Consideration receivable (note 29)	**—**	5,000
Other receivables	**1,283**	21,697
	1,617	26,826

Included in other receivables as at 31 December 2007 was an amount of HK$21,390,000 which represented payment in connection with acquisition of construction materials for properties that were still under construction. This contract was subsequently cancelled and the whole amount has been received for the year ended 31 December 2008.

The Group allows an average credit period of 30 days. The following is an aged analysis of trade receivables of the Group at the balance sheet date:

	2008 HK$'000	2007 HK$'000
0 - 60 days	**242**	129
61 - 90 days	**92**	—
	334	129

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

Included in the Group's trade recoverable are debtors with aggregate carrying amount of HK$96,000 (2007: Nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 31 days.

Aging of trade receivables which are past due but not impaired

	2008 HK$'000	2007 HK$'000
0 - 30 days	**4**	—
31 - 60 days	**92**	—
	96	—

The trade receivables have been subsequently settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

23. Bank Balances and Cash

All bank saving deposit balances are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from 1.0% to 2.6% (2007: 0.80% to 3.63%) for both years.

24. Bank Loans

The bank loans are repayable within one year from the balance sheet date and hence are shown as current liabilities.

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

The effective interest rate on the Group's variable-rate bank loans for the year ended December 31, 2007 were 7.29% per annum.

The bank loans are secured by:

(a) Property, plant and equipment and prepaid lease payments with an aggregate carrying amount of HK$9,675,000 (2007: HK$7,127,000),

(b) Personal guarantee from a minority shareholder of a subsidiary in respect of an amount of HK$2,273,000 (2007: HK$2,139,000).

25. Deferred Tax Liabilities

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

	Property, plant and equipment HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2007	704	(8)	696
Exchange realignment	48	—	48
Effect of change in tax rate	422	—	422
Charge (credit) to consolidated income statement	80	(80)	—
At 31 December 2007 and 1 January 2008	1,254	(88)	1,166
Exchange realignment	59	—	59
(Credit) charge to consolidated income statement	(1,228)	3	(1,225)
At 31 December 2008	85	(85)	—

25. Deferred Tax Liabilities (Continued)

At the balance sheet date, the Group has unused tax losses of HK$84,955,000 (2007: HK$52,844,000), available for offset against future profits. A deferred tax asset of HK$85,000 (2007: HK$88,000) has been recognised in respect of HK$511,000 (2007: HK$503,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$84,444,000 (2007: HK$52,341,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. Share Capital

	Number of shares '000	**Nominal amount** HK$'000
Authorised:		
Ordinary shares of HK$0.005 each at 1 January 2007, 31 December 2007 and 2008	421,978,000	2,109,890
Preference shares of HK$0.005 each at 1 January 2007, 31 December 2007 and 2008	22,000	110
Issued and fully paid:		
Ordinary shares of HK$0.005 each		
At 1 January 2007	285,989	1,430
Issue of shares (note 28)	13,858	69
At 31 December 2007 and 1 January 2008 and 31 December 2008	299,847	1,499

27. Share Option Scheme

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

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

28. Acquisition of Additional Interest in Subsidiaries

For the year ended 31 December 2007

On 27 July 2007, the Group entered into a sale and purchase agreement with the minority shareholders of Keycharm to acquire their 49% equity interest in Keycharm and the settlement of shareholders loans advanced to Keycharm of RMB58,800,000 at an aggregate consideration of RMB63,300,000, of which RMB53,300,000 was paid in cash and the balance of RMB10,000,000 to be satisfied by the issue and allotment of shares of the Company. Prior to the acquisition, the Group had 51% interest in Keycharm and Keycharm then became a wholly-owned subsidiary of the Group with effect from 9 October 2007 upon acquisition of the additional interest. The cash consideration of approximately HK$55,992,000 was paid and 13,857,981 shares with market price of HK$0.59 were issued on the completion date. The acquisition in Keycharm gave rise to a goodwill of approximately HK$2,273,000, which represented the difference between the consideration and the carrying amount of the net assets attributed to the additional interest in the subsidiary being acquired from the minority shareholders.

On 9 November 2007, the Group entered into a shareholding transfer agreement with a minority shareholder of Taicang to acquire 14.29% equity interest in Taicang at an cash consideration of RMB20,000,000. Prior to the acquisition, the Group had 85.71% interest in Taicang and Taicang then became a wholly-owned subsidiary of the Group with effect from 26 December 2007 upon acquisition of the additional interest. The cash consideration of approximately HK$21,379,000 was paid at completion date. The acquisition in Taicang gave rise to a goodwill of approximately HK$5,313,000, which represents the difference between the consideration and the carrying amount of the net assets attributed to the additional interest in the subsidiary being acquired from the minority shareholder.

29. Disposal of Subsidiaries

For the year ended 31 December 2007

On 20 March 2007, the Group disposed of a subsidiary, China Faith Limited, which was engaged in property investment, for a consideration of approximately HK$440 million. Details of disposal are set out in the Company's circular dated 31 January 2008.

On 8 June 2007, the Group also disposed of Bornwise Technology Limited and its subsidiaries, which were dormant companies, for a consideration of HK$1,000.

29. Disposal of Subsidiaries (Continued)

For the year ended 31 December 2007 (Continued)

The aggregate net assets of subsidiaries at the date of disposal were as follows:

	2007 HK$'000
Net assets disposal of:	
Investment properties	440,000
Trade and other receivables	426
Prepayments and deposits	857
Other payables	(5,361)
Rental deposits	(3,931)
Taxation	(14,687)
	417,304
Directly attributable costs	18,109
Net gain arising on disposals	4,588
Total consideration	440,001
Cash consideration	440,001
Directly attributable costs	(18,109)
Net cash consideration	421,892
Net cash inflow arising on disposals:	
Net cash consideration	421,892
Consideration receivable	(5,000)
	416,892
The net gain arising on disposal comprises:	
Loss on disposal of discontinued operation (note 10)	(10,210)
Reversal of income tax payable arising from disposal of dormant subsidiaries (note 9)	14,687
Gain on disposal of dormant subsidiaries (note 7)	111
	4,588

The impact of China Faith Limited on the Group's results and cash flows for the year ended 31 December 2007 is disclosed in note 10.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

30. Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the bank balances and cash (note 23), bank loans (note 24) and equity attributable to equity holders of the Company, comprising issued share capital, share premium, translation reserve and deficit.

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

31. Financial Instruments

31a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**59,726**	233,218
Available-for-sale financial assets	**—**	—
Financial liabilities		
Amortised cost	**25,677**	13,276

31b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other payables, amount(s) due from (to) a minority shareholder of subsidiaries, bank balances and cash and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. Financial Instruments (Continued)

31b. Financial risk management objectives and policies (Continued)

Market risk

(i) *Currency risk*

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

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans as at 31 December 2008 (see note 24 for details) and fixed-rate amount due to a minority shareholder of subsidiaries (see note 35(b) for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at December 2008 and 2007 and bank loans as at 31 December 2007 (see notes 23 and 24 for details of the bank balances and the bank loans respectively).

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2008 would decrease by approximately HK$290,000 (2007: HK$1,031,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances as at 31 December 2008 and its variable-rate bank balances and bank loans as at 31 December 2007.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

31. Financial Instruments (Continued)

31b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans. The Group relies on bank loans and amounts due to a minority shareholder of subsidiaries as a significant source of liquidity. Details of which are set out in notes 24 and 35(b), respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

31. Financial Instruments (Continued)

31b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

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

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007						
Non-derivative financial liabilities						
Other payables	–	4,134	–	–	4,134	4,134
Bank loans						
– variable rate	7.29%	–	–	2,266	2,266	2,139
Amount due to a minority shareholder of subsidiaries						
– fixed rate	6%	7,037	–	–	7,037	7,003
		11,171	–	2,266	13,437	13,276

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

31. Financial Instruments (Continued)

31c. Fair value

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

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

32. Operating Leases

The Group as lessor

Property rental income earned during year 2007 was HK$2,654,000. All of the Group's properties held for rental purposes have been disposed of in 2007.

The Group as lessee

	2008 **HK$'000**	2007 HK$'000
Minimum lease payments under operating leases in respect of office properties and motor vehicles	**1,228**	865

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**848**	407
In second to fifth year inclusive	**173**	59
	1,021	466

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

33. Capital Commitments

	2008 HK$'000	2007 HK$'000
Commitments in respect of the acquisition and construction of property, plant and equipment contracted for but not provided	**147,401**	24,790

34. Retirement Benefits Schemes

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

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

Contributions to the retirement benefit schemes for the year amounted to HK$272,000 (2007: HK$167,000).

35. Related Party Transactions and Balances

(a) The amount due from a minority shareholder of a subsidiary is unsecured and non-interest bearing. The balance at year ended 31 December 2007 has been fully repaid in 2008.

(b) The amounts due to a minority shareholder of subsidiaries include a balance of HK$6,078,000 (2007: HK$7,003,000) which is unsecured, interest-bearing at 6% per annum and repayable on demand. The amount of interest expense incurred during the year is approximately HK$303,000 (2007: HK$302,000). The remaining balance is unsecured, non-interest bearing and repayable on demand.

(c) At the balance sheet date, a minority shareholder of a subsidiary provides a guarantee, at no charge to the Group, to a bank for a bank loan of HK$2,273,000 (2007: HK$2,139,000) granted to a subsidiary.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is HK$10,729,000 (2007: HK$9,269,000) disclosed in notes 12 and 13.

36. Post Balance Sheet Event

Subsequent to 31 December 2008, the Group has entered into the following transaction:

(a) On 13 January 2009, the Group signed a final sales and purchase agreement and agreed to acquire a property in Beijing, the PRC for an aggregate consideration of approximately HK$16,193,000. The consideration amount was fully paid as at 31 December 2008 and recorded as deposits at 31 December 2008 (note 19).

(b) On 31 March 2009, the Group signed a bank loan agreement amounting to approximately HK$28,090,000 and pledged a piece of leasehold land located in Taicang, the PRC (note 19). The bank loan will be repayable in March, 2011 and is interest bearing at a variable interest rate of 6.48% per annum.

Financial Summary

	Year ended 31.12.2008 HK$'000	Year ended 31.12.2007 HK$'000	Year ended 31.12.2006 HK$'000	Year ended 31.12.2005 HK$'000	Year ended 31.12.2004 HK$'000
RESULTS					
Revenue	**4,458**	7,872	13,576	38,679	15,207
(Loss) profit for the year	**(35,743)**	(34,572)	96,834	43,157	12,061
Attributable to:					
Equity holders of the Company	**(35,458)**	(32,200)	98,422	43,341	12,709
Minority interests	**(285)**	(2,372)	(1,588)	(184)	(648)
	(35,743)	(34,572)	96,834	43,157	12,061

	31.12.2008 HK$'000	31.12.2007 HK$'000	31.12.2006 HK$'000	31.12.2005 HK$'000	31.12.2004 HK$'000
ASSETS AND LIABILITIES					
Total assets	**284,986**	294,032	615,510	368,809	303,558
Total liabilities	**(25,677)**	(14,442)	(299,407)	(168,485)	(169,865)
Minority interests	**(848)**	—	(17,115)	—	(184)
Equity attributable to equity holders of the Company	**258,461**	279,590	298,988	200,324	133,509