G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

Revenue was HK$9.10 million, an increase of 34%.

Profit for the Year was HK$11.79 million.

Basic and diluted earnings per share was HK0.53 cents.

The board of directors (the "Board") of G-Prop (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2009 (the "Year") pursuant to paragraph 45 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Group's consolidated statement of comprehensive income for the Year and consolidated statement of financial position as at 31 December 2009, all of which have been reviewed by the Audit Committee of the Company, together with the comparative figures of the corresponding year ended 31 December 2008 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Continuing operations			
Revenue	*3*	**9,099**	6,790
Direct costs		**(178)**	(239)
Gross profit		**8,921**	6,551
Other operating income	*5*	**856**	6,147
Administrative expenses		**(2,710)**	(13,117)
Finance cost		**–**	(9,893)
Gain on redemption of convertible bonds		**–**	8,281
Fair value change on investment properties		**5,200**	(3,700)
Profit/(loss) before tax	*6*	**12,267**	(5,731)
Income tax (expense)/credit	*7*	**(479)**	2,690
Profit/(loss) for the year from continuing operations		**11,788**	(3,041)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(1,813)
Profit/(loss) for the year		**11,788**	(4,854)
Other comprehensive income:			
Fair value change on available-for-sale financial assets		**26,941**	(31,038)
Exchange difference on translation of foreign operations		**–**	12,595
Exchange difference on disposal of foreign operations		**–**	(14,713)
		26,941	(33,156)
Total comprehensive income for the year		**38,729**	(38,010)
Profit/(loss) attributable to equity holders of the Company		**11,788**	(4,854)
Total comprehensive income attributable to equity holders of the Company		**38,729**	(38,010)
Earnings/(loss) per share			
From continuing and discontinued operations	*8*		
Basic and diluted (HK cents per share)		**0.53**	(0.24)
From continuing operations	*8*		
Basic and diluted (HK cents per share)		**0.53**	(0.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties		**32,500**	27,300
Goodwill		**2,939**	2,939
Interests in jointly controlled entities		**–**	–
Available-for-sale financial assets	*9*	**158,473**	127,704
		193,912	157,943
Current assets			
Debtors, deposits and prepayments	*10*	**685**	1,839
Short-term loans receivable		**–**	–
Loan to a fellow subsidiary	*11*	**200,000**	136,000
Tax recoverable		**–**	106
Time deposits, bank balances and cash		**91,247**	5,442
		291,932	143,387
Current liabilities			
Creditors and accruals	*12*	**1,244**	1,361
Deposits and receipts in advance		**394**	398
Tax payable		**16**	24
Amounts due to fellow subsidiaries		**189**	144
		1,843	1,927
Net current assets		**290,089**	141,460
Total assets less current liabilities		**484,001**	299,403
Capital and reserves			
Share capital		**24,282**	20,282
Share premium		**351,638**	210,168
Translation reserve		**234**	234
Securities investment reserve		**(4,097)**	(31,038)
Retained profits			
– proposed final dividend	*13*	**2,428**	–
– others		**107,092**	97,732
Total equity		**481,577**	297,378
Non-current liabilities			
Deferred tax liabilities		**2,424**	2,025
		484,001	299,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and the Listing Rules.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets, financial liabilities and investment properties, which are measured at their fair values.

2. APPLICATION OF NEW AND REVISED HKFRSs

The accounting policies adopted in the audited consolidated financial statements for the year ended 31 December 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except as described below.

The Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Annual Improvements to HKFRSs issued in 2008*
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HK(IFRIC) Int – 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

* Except for the amendment to HKFRS 5 that is effective for the annual periods beginning on or after 1 July 2009.

HKFRS 8, "Operating Segments", was early adopted by the Group in 2008. HKFRS 8 replaces HKAS 14, "Segment Reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The application of the new HKFRSs has resulted in the following changes:

a) HKAS 1 (Revised) "Presentation of Financial Statements" separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduced the statement of comprehensive income, it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

b) The amendment to HKFRS 7 "Improving Disclosures about Financial Instruments", enhances disclosures about fair value measurement and liquidity risk of the Group's financial instruments. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree to which they are based on observable market data.

Save as described above, there is no material effect on the consolidated financial statements of the Group for the current or prior accounting periods by adopting the new HKFRSs, thus no prior period adjustment has been required.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

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

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) "Business Combinations" may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) "Consolidated and Separate Financial Statements" will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with early application permitted. Under HKFRS 9, all recognised financial assets that are currently in the scope of HKAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value with gains or losses recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. REVENUE

Revenue represents the net amounts received and receivable from third parties and is summarised as follows:

	2009	2008
	HK$'000	HK$'000
Rental income	**1,685**	1,916
Interest income from investment and finance	**7,414**	4,874
	9,099	6,790

4. OPERATING SEGMENTS

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

For management purposes, the Group currently engages in two operating divisions – (i) investment and finance; and (ii) properties investment. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Investment and finance	–	Investing and financing activities
Properties investment	–	Property leasing

The Group's measurement methods used to determine reported segment profit or loss remain unchanged since its first adoption.

Operating segment information is presented below:

The segment results for the year ended 31 December 2009

	Investment and finance HK$'000	Properties investment HK$'000	Consolidated HK$'000
Revenue			
Revenue from external customers			
– Hong Kong	**7,414**	**1,685**	**9,099**
Segment results			
Segment results for reportable segments			
– Hong Kong	**8,195**	**1,523**	**9,718**
Interest income			**59**
Administrative expenses			**(2,710)**
Profit before tax			**7,067**
Income tax expenses			**(80)**
Core profit			**6,987**
Major non-cash items			
– Fair value changes on investment properties			**5,200**
– Deferred tax			**(399)**
Profit for the year			**11,788**

The segment assets and liabilities as at 31 December 2009

	Investment and finance HK$'000	Properties investment HK$'000	Consolidated HK$'000
Assets			
Segment assets			
for reportable segments			
– Hong Kong	**448,156**	**34,749**	**482,905**
Unallocated corporate assets			**2,939**
Consolidated total assets			**485,844**
Liabilities			
Segment liabilities			
for reportable segments			
– Hong Kong	**(1,391)**	**(436)**	**(1,827)**
Unallocated corporate liabilities			**(2,440)**
Consolidated total liabilities			**(4,267)**

The segment results for the year ended 31 December 2008

	Continuing operations			Discontinued operation	
	Investment and finance HK$'000	Properties investment HK$'000	Total HK$'000	Methanol HK$'000	Consolidated HK$'000
Revenue					
Revenue from external customers					
– Hong Kong	4,874	1,916	6,790	–	6,790
Segment results					
Segment results for reportable segments					
– Hong Kong	(962)	1,694	732	–	732
Interest income			4,717	41	4,758
Gain on disposal of subsidiaries			1,302	–	1,302
Other income			111	–	111
Administrative expenses			(7,281)	(2,451)	(9,732)
Finance cost			(9,893)	–	(9,893)
Loss before tax			(10,312)	(2,410)	(12,722)
Income tax (expense)/credit			(85)	597	512
Core profit/(loss)			(10,397)	(1,813)	(12,210)
Major non-cash items					
– Gain on redemption of convertible bonds			8,281	–	8,281
– Fair value changes on investment properties			(3,700)	–	(3,700)
– Deferred tax credit			2,775	–	2,775
Loss for the year			(3,041)	(1,813)	(4,854)

The segment assets and liabilities as at 31 December 2008

	Continuing operations			Discontinued operation	
	Investment and finance HK$'000	Properties investment HK$'000	Total HK$'000	Methanol HK$'000	Consolidated HK$'000
Assets					
Segment assets for reportable segments					
– Hong Kong	267,049	30,949	297,998	–	297,998
Unallocated corporate assets					3,332
Consolidated total assets					301,330
Liabilities					
Segment liabilities for reportable segments					
– Hong Kong	(50)	(2,489)	(2,539)	–	(2,539)
Unallocated corporate liabilities					(1,413)
Consolidated total liabilities					(3,952)

Geographical segments

Except for the discontinued methanol business segment in the PRC reported in 2008, all the Group's operations are located in Hong Kong and all revenue is derived from Hong Kong for both years.

5. OTHER OPERATING INCOME

	2009	2008
	HK$'000	HK$'000
Other operating income included the followings:		
Continuing operations		
Interest income	**59**	4,717
Exchange gain	**775**	–
Gain on disposal of subsidiaries	**–**	1,302
Discontinued operation		
Interest income	**–**	41

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging:

	2009	2008
	HK$'000	HK$'000
Continuing operations		
Staff costs:		
Directors' Remuneration	**350**	290
Salaries and other benefits	**806**	758
Retirement benefit scheme contributions excluding directors and after deducting forfeited contribution of HK$nil (2008: HK$7,000)	**37**	34
	1,193	1,082
Auditors' remuneration	**330**	420
Exchange loss	**–**	5,914
Discontinued operation		
Staff costs:		
Salaries and other benefits	**–**	809
Retirement benefit scheme contributions excluding directors and after deducting forfeited contribution	**–**	24
	–	833

	2009 HK$'000	2008 HK$'000
and after crediting:		
Continuing operations		
Gross rental income from investment properties	**1,685**	1,916
Less: direct operating expenses from investment properties that generated rental income during the year	**(161)**	(170)
direct operating expenses from investment properties that did not generate rental income during the year	**(17)**	(69)
	1,507	1,677

7. INCOME TAX EXPENSE/(CREDIT)

	2009 HK$'000	2008 HK$'000
Continuing operations		
Current tax		
– Hong Kong	**80**	85
Deferred tax		
– Current year	**399**	(2,614)
– Attributable to a change in tax rate	**–**	(161)
	479	(2,690)
Discontinued operation		
Deferred tax		
– Attributable to a change in tax rate	**–**	(597)
	479	(3,287)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

8. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	2009	2008
	HK$'000	HK$'000
Earnings/(loss):		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**11,788**	(4,854)
Number of shares:		
Weighted average number of ordinary shares in issue	**2,245,241,309**	2,028,255,008

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to equity holders of the Company is based on the following data:

	2009	2008
	HK$'000	HK$'000
Earnings/(loss):		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing and discontinued operations	**11,788**	(4,854)
Add: Loss for the year from discontinued operation	**–**	1,813
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing operations	**11,788**	(3,041)
Number of shares:		
Weighted average number of ordinary shares in issue	**2,245,241,309**	2,028,255,008

For the years ended 31 December 2009 and 31 December 2008, diluted earnings per share is the same as the basic earnings per share as there were no diluting events during the years.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 HK$'000	2008 HK$'000
The Group's available-for-sale financial assets comprise:		
Floating rate notes		
– Listed	**41,121**	35,262
– Unlisted	**117,352**	92,442
	158,473	127,704

The listed and unlisted floating rate notes carry floating interest at EURIBOR + 0.2% and LIBOR + 0.3% to LIBOR + 0.35% per annum, payable quarterly with the date of maturity are between 2011 to 2014. The effective interest rate of the notes are ranging from 1.90% to 7.51% per annum.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

There were no trade debtors included in debtors, deposits and prepayments as at 31 December 2009 and 31 December 2008.

11. LOAN TO A FELLOW SUBSIDIARY

On 4 November 2008, the Company, as lender, entered into a loan agreement (the "Loan Agreement") with Fancy Mark Limited ("Fancy Mark"), as borrower, and Chinese Estates Holdings Limited, as guarantor.

In accordance with the Loan Agreement, the Company would provide a three-year revolving facility of up to HK$200 million to Fancy Mark. The Company is entitled, by giving not less than one month's (or such shorter period as Fancy Mark may agree) prior notice to Fancy Mark, to demand full or partial repayment of the amount outstanding. Fancy Mark shall also repay the aggregate principal amount outstanding under the facility, all accrued interest thereon and all other amount payable under the Loan Agreement on the date falling three years from the date of the Loan Agreement. The loan to Fancy Mark carries an interest rate of HIBOR plus 1% per annum.

For further details, please refer to the Company's circular dated 25 November 2008.

12. CREDITORS AND ACCRUALS

There were no trade payable included in creditors and accruals as at 31 December 2009 and 31 December 2008.

13. PROPOSED FINAL DIVIDEND

Subsequent to the financial year end, the final dividend of HK0.1 cent (2008: Nil) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in forthcoming annual general meeting.

14. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), "Presentation of Financial Statements", certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

DIVIDENDS

The Board has recommended the payment of final dividend of HK0.1 cent per share for the Year (2008: Nil). Subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on 28 May 2010, the recommended final dividend will be paid on or around 25 June 2010 to the shareholders whose names appear on the register of members of the Company on 28 May 2010.

As there was no interim dividend declared (2008: Nil), the total distribution for 2009 amounts to HK0.1 cent per share (2008: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 26 May 2010 to 28 May 2010, both days inclusive. For the purpose of ascertaining the members' entitlement to the recommended final dividend and the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 May 2010.

FINANCIAL OPERATION REVIEW

Results

Revenue for the Year was HK$9,099,000 (2008: HK$6,790,000), an increase of HK$2,309,000 or 34% when compared with last year. Gross profit for the Year amounted to HK$8,921,000 (2008: HK$6,551,000), an increase of HK$2,370,000 as compared with last year. The increase in revenue and gross profit resulted from the interest income from floating rate notes of HK$5,472,000 (2008: HK$4,835,000) and loan to a fellow subsidiary of HK$1,942,000 (2008: HK$39,000).

For property leasing, the rental income dropped to HK$1,685,000 (2008: HK$1,916,000), it was mainly due to the drop of occupation rate of the property. Included in the current year result was an increase in fair value on investment properties of HK$5,200,000 (2008: decrease of HK$3,700,000).

During the Year, no finance cost was recorded (2008: HK$9,893,000), the figure of last year represented the effective interest expense on convertible bonds.

Exchange gain included in other operating income was HK$775,000 (2008: exchange loss included in administrative expenses of HK$5,914,000).

Profit/(loss) attributable to the equity holders of the Company

For the current year, the Company recorded a profit attributable to the equity holders of the Company of HK$11,788,000 (2008: loss of HK$4,854,000), it was mainly due to the increase in fair value on investment properties, increase in interest income on floating rate notes and loan to the fellow subsidiary. The basic and diluted earnings per share are HK0.53 cents (2008: loss per share of HK0.24 cents).

The major non-cash items included increase on fair value on investment properties of HK$5,200,000 (2008: decrease of HK$3,700,000).

Net Asset Value

As at 31 December 2009, the Group's total net asset was HK$481,577,000 (2008: HK$297,378,000), an increase of HK$184,199,000 or 61.9% when compared with last year. Such rise was caused by (a) the issuance of 400,000,000 shares resulted in the increase of share capital of HK$4,000,000 and share premium of HK$141,470,000; (b) the increase in fair value of available-for-sale financial assets of HK$26,941,000; and (c) the profit retained for the Year of HK$11,788,000.

Net asset value per share as at 31 December 2009 was HK$0.20 (2008: HK$0.15).

Investment and Finance

Last year, the Group acquired various long term floating rate notes (the "FRN") in principal amount of EUR3,800,000 and US$16,500,000 as available-for-sale financial assets. The denominated currencies of the FRN are European dollars and United States dollars and the maturity dates are between 2011 and 2014. The interest rates are calculated mainly with reference to the respective country's EURIBOR and LIBOR. Further the Group made a short term three-year revolving loan to Chinese Estates Group of HK$136,000,000 at HIBOR plus 1% per annum on 4 November 2008. The Group lent a further loan of HK$64,000,000 during the Year. No hedging for interest rate and foreign currency were subsisted during the Year.

As at 31 December 2009, the carrying amount of the FRN amounted to HK$158,473,000 (2008: HK$127,704,000) and the loan amounted to HK$200,000,000 (2008: HK$136,000,000) representing 32.6% and 41.2% of the total assets of the Group respectively.

Equity

The number of issued ordinary shares as at 31 December 2009 and 31 December 2008 were 2,428,255,000 and 2,028,255,008 respectively.

Debt and Equity Ratio

The Group did not have any borrowings as at 31 December 2009 and 31 December 2008.

There was no debt to equity ratio as at 31 December 2009 and 31 December 2008. Cash and bank balances as at 31 December 2009 was approximately HK$91,247,000 (2008: HK$5,442,000). The majority of the Group's income for the Year was denominated in Hong Kong dollars and United States dollars and no hedging for non-Hong Kong dollars assets or investments have been made during the Year.

Pledge of Assets

As at 31 December 2009 and 31 December 2008, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

Capital Commitment and Contingent Liabilities

The Group did not have any material capital commitment and contingent liabilities as at 31 December 2009 and 31 December 2008.

Financial and Interest Income/Expenses

Interest income was included in revenue, other operating income and profit for the Year. Interest income was HK$7,473,000 (2008: HK$9,632,000), it is mainly due to the interest income from FRN and loan to the fellow subsidiary. There was no finance cost (2008: effective interest expense on convertible bonds of HK$9,893,000) during the Year.

Remuneration Policies and Share Option Scheme

As at 31 December 2009, the Group did not employ any staff (2008: 1 staff). The total staff cost excluding Directors' remuneration for the Year was approximately HK$843,000 (2008: HK$1,625,000) representing the staff cost recharged from other fellow subsidiaries of the Company. The Company had adopted share option scheme since 15 February 2002. There were no outstanding options at the beginning and at the end of the Year. No options were granted, exercised, cancelled and lapsed during the Year.

Property Valuation

A property valuation has been carried out by Norton Appraisals Limited, an independent qualified professional surveyors, in respect of the Group's investment properties held as at 31 December 2009 and that valuation was used in preparing this year's consolidated financial statements. The Group's investment properties were valued HK$32,500,000 as at 31 December 2009 (2008: HK$27,300,000), an increase in fair value of approximately HK$5,200,000 was recognised in the consolidated statement of comprehensive income for the Year.

BUSINESS REVIEW

The Group was principally engaged in the businesses of property investment, finance and securities investment during the Year.

Finance and Securities Investment

During the Year under review, the Company had advanced a total sum of HK$200,000,000 to the Chinese Estates Group under the three-year revolving loan facility at the interest rate of HIBOR plus 1% per annum. The Company had accrued an interest income from the revolving loan facility totaling about HK$1,942,000 for the Year, comparing with the interest income of HK$39,000 therefrom in previous year.

The Group continued to invest in various floating rate notes ("FRN") in the aggregate principal amount of approximately EUR3,800,000 and US$16,500,000 for long-term investment purpose. During the Year, interest income of approximately HK$5,472,000 had been gained from investment in FRN.

Investment Properties

As at 31 December 2009, the Group held 31 car parking spaces with 5 adjoining spaces and a carport basement situated in prime locations. The relevant occupancy rate was approximately 75.66% with rental income amounted to about HK$1,685,000 for the Year. The rental income represented a decrease of 12.06% as compared to last year. Such decrease on rental income was mainly attributable to the discontinuation in licensing for use of certain car parking spaces by part of the vehicle users in early 2009.

OTHER INFORMATION

Placing of New Shares under General Mandate

In June 2009, to strengthen the capital requirement, the Company conducted a placing exercise following which a total of 400,000,000 new shares were issued. The net proceeds from the placing amounted to approximately HK$145,500,000, among which HK$64,000,000 had been advanced to the Chinese Estates Group under the three-year revolving loan facility. The remaining amount of approximately HK$81,500,000 is being used as general working capital of the Group.

EVENT AFTER THE FINANCIAL YEAR END

There is no event after the financial year end.

PROSPECTS

Although the surrounding business environment was not promising, the Company managed to improve the working capital in 2009 upon completion of the placing in June 2009 and the Company's financial condition remains stable. The revolving loan to Chinese Estates Group constitutes about 41.17% of the total assets of the Company and the Company's liquidity is in healthy condition. The credit risk exposed to the Company is quite limited as the revolving loan has been guaranteed for repayment by the holding company, Chinese Estates Holdings Limited ("Chinese Estates"). The revolving loan proved to be beneficial to the Company and the shareholders as a whole in the difficult and challenging year.

From the micro-economics' view, benefited from CEPA (Closer Economic Partnership Arrangement) and large inflow of visitors from the mainland China as well as the support of the Central People's Government, the local economy is recovering steadily. During the Year, both the stock market and property market have been recovered significantly from the 2008 global financial tsunami. The unemployment level has become stabilized. In view of constant recovery of the local economy, the Company is cautiously optimistic about the business in 2010 barring any unforeseeable events. The carpark rental income, the interest income from the revolving loan and the interest income from investment in various FRN will continue to be the main sources of income to the Group. The Company will continue to closely monitor fund application to allow business exploitation in future.

CORPORATE GOVERNANCE

The Company had fully applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Year. None of the Directors was aware of any information that would reasonably indicate that the Company was not during any part of the accounting period covered by the Year, incompliant with the Code except for certain very minor deviation in form as follows:–

Under code provision A.2 in Appendix 14 of the Listing Rules, the roles of chairman are management of the board, among other things, ensuring that all directors are properly briefed on issues arising at board meetings and the directors receive adequate information, which must be completed, reliable and in a timely manner. Although the position of the chairman of the Company has not been filled since 1 June 2007, the deputy chairman of the Company has been acting as the chairman and fulfilled its role and function properly. Accordingly, the Directors consider that the code provision under A.2 in Appendix 14 has been complied with in substance.

Under code provision A.4.1 in Appendix 14 of the Listing Rules, non-executive directors should be appointed for specific terms and subject to re-election. The Independent Non-executive Directors of the Company, however, are not appointed for any specific term. Notwithstanding that, they are subject to retirement by rotation at the Company's annual general meeting at least once every three years in accordance with the Company's Bye-laws. The Directors are of the view that the term of the Independent Non-executive Directors is specific enough in substance.

Under code provision C.2.2 in Appendix 14 of the Listing Rules, the board of the listed company should consider the adequacy of resources, qualifications and experience of staff of the listed company's accounting and financial reporting function, and their training programmes and budget as part of internal control of the listed company in the annual corporate governance review. Under code provision C.3.3(g) in Appendix 14 of the Listing Rules, the terms of reference of the audit committee of the listed company should include the duty to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the listed company's accounting and financial reporting function, and their training programmes and budget. Although the Company does not for the time being engage any staff, the Directors have secured the assistance of Chinese Estates, the holding company of the Company, to provide and to share with its accounting and financial reporting resources, including human resources, accounting programmes and other information system facilities to ensure that the Company has fulfilled the legal and the Listing Rules' requirements on the preparation of financial accounts reporting and internal control. The Directors believed that such arrangement with Chinese Estates will substantially reduce the cost of the Company in financial accounts reporting and internal controls. The Directors will also use their best endeavours to ensure the high efficiency and effectiveness and independence of the financial reporting system and internal control system of the Company under the aforesaid arrangement with Chinese Estates.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the Directors. The Company has also adopted a code of conduct regarding securities transactions by the relevant employees on terms no less exacting than the required standard set out in the Model Code (the "Employees' Code"). Having made specific enquiry of all Directors and the relevant employees, all Directors and the relevant employees confirmed that they have complied with the required standard set out in the Model Code and the Employees' Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

REVIEW OF FINANCIAL RESULTS

The financial results for the Year have been reviewed by the Audit Committee of the Company.

PROPOSED AMENDMENT TO THE BYE-LAWS

It is proposed that an amendment to the Company's Bye-laws be made in line with certain changes of the Listing Rules which came into effect on 1 January 2009. The proposed amendment to the Bye-laws will allow the Company to send corporate communication materials to its shareholders by electronic means.

Details of the proposed amendment will be set out in a circular and the notice convening the annual general meeting of the Company to be held on 28 May 2010 which will be dispatched to the shareholders together with the 2009 annual report in due course. The proposed amendment will be subject to the approval of the shareholders at the said meeting by way of a special resolution.

APPRECIATION

I would like to take this opportunity to express our gratitude to the shareholders of the Company for their continued support, and our fellow Directors and those who have worked for the Group for their valuable contribution.

By Order of the Board
Lam, Kwong-wai
Company Secretary

Hong Kong, 16 March 2010

As at the date of this announcement, the Board comprised Mr. Kong, Chi-ming and Mr. Leung, Wing-pong as Executive Directors and Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai as Independent Non-executive Directors.

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