

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 June 2006 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures";
- Amendment to HKAS 21, Amendment "Net investment in a foreign operation";
- Amendment to HKAS 39, Amendment "The fair value option";
- Amendment to HKAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions";
- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial guarantee contracts";
- HKFRS 6, "Exploration for and evaluation of mineral resources";
- HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease";
- HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"; and
- HK(IFRIC)-Int 6, "Liabilities arising from participating in a specific market – waste electrical and electronic equipment".

The adoption of the above has no material impact to the condensed consolidated financial information of the Group, except as follows:

The adoption of Amendment to HKAS 39, Amendment "The fair value option" has restricted the circumstances in which a financial asset or liability may be designated as at fair value through profit or loss and has resulted in a change in accounting policy relating to the recognition of financial asset at fair value through profit or loss. The change in accounting policy has been made in accordance with the transitional provisions in the standards. The date of de-designation of financial asset at fair value through profit or loss is deemed to be its date of initial recognition, which is 1 January 2005. At the date of de-designation, the fair value of the financial asset at fair value through profit or loss was approximately HK\$862,000.

The adoption of Amendment to HKAS 39 resulted in an increase in retained earnings and a decrease in available-for-sale financial assets revaluation reserve at 1 January 2005 by approximately HK\$2,008,000 and the details of the adjustments to the balance sheet at 30 June 2006 and 31 December 2005 and income statement for the six months ended 30 June 2006 and 30 June 2005 and for the year ended 31 December 2005 are as follows:

	As at	
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Decrease in financial assets at fair value through profit or loss	894	894
Increase in available-for-sale financial assets	894	894
Increase in retained earnings	1,976	1,976
Decrease in available-for-sale financial assets revaluation reserve	1,976	1,976

2. Accounting policies (Cont'd)

	For the year ended	For the six months ended	
	31 December 2005	30 June 2006	30 June 2005
	HK\$'000	HK\$'000	HK\$'000
Decrease in fair value gains on financial assets at fair value through profit or loss	32	–	222
Increase in basic and diluted earnings per share (HK\$)	0.00012	–	0.00085

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- Amendment to HKAS 1, Amendment “Capital Disclosures”;
- HKFRS 7, “Financial instruments: Disclosures”;
- HK(IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”;
- HK(IFRIC)-Int 8, “Scope of HKFRS 2”; and
- HK(IFRIC)-Int 9, “Reassessment of Embedded Derivatives”.

The management is currently assessing the impact of these new standards, amendments to standards and interpretations on the Group’s operations.

3. Financial risk management

The Group’s activities expose it to a variety of financial risks including currency risk, fair value interest rate risk, price risk, credit risk and cash flow interest rate risk. Whenever necessary, the Group will manage these risks through the use of forwards, options or other appropriate derivative financial instruments. As at 30 June 2006, there was no derivative financial instrument outstanding.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include those relating to land value added taxes for PRC properties and provisions for doubtful debts and inventory losses.

5. Segment information

Primary reporting format – business segments

At 30 June 2006, the Group is organised on a worldwide basis into two main business segments:

- (1) General trading – trading of animal feed (mainly fishmeal and tapioca chips); and
- (2) Property investment – rental income from investment properties, sale proceeds of properties held for sale and provision of real estate agency services.

Turnover consists of sales from general trading and income from property investment segments, which are HK\$777,623,000 and HK\$948,555,000 for the six months ended 30 June 2006 and 2005 respectively.

There are no sales or other transactions between the business segments.

Unallocated costs represent corporate expenses, including gains and losses of derivative financial instruments held for trading.

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, properties held for sale, inventories, receivables and operating cash. They exclude investments.

5. Segment information (Cont'd)

Segment liabilities comprise operating liabilities. They exclude items such as income tax liabilities, deferred income tax liabilities and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment properties and leasehold land and land use rights.

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Hong Kong	–	rental income from investment properties
Mainland China	–	trading of animal feed, rental income from investment properties, sale of properties held for sale and provision of real estate agency services
Other countries	–	trading of animal feed and sale of properties held for sale

There are no sales or other transactions between the geographical segments.

Sales are allocated based on the countries in which customers are located.

Total assets are allocated based on where the assets are located.

Capital expenditure is allocated based on where the assets are located.

5. Segment information (Cont'd)

	General trading 2006 <i>HK\$'000</i>	Property investment 2006 <i>HK\$'000</i>	GROUP 2006 <i>HK\$'000</i>
The segment results for the six months ended 30 June 2006 are as follows:			
Sales	<u>767,034</u>	<u>10,589</u>	<u>777,623</u>
Segment results	<u>13,947</u>	<u>6,226</u>	20,173
Unallocated corporate expenses			<u>939</u>
Operating profit			21,112
Finance costs			(4,946)
Share of profit of associates		426	<u>426</u>
Profit before income tax			16,592
Income tax expense			<u>(541)</u>
Profit for the period			<u>16,051</u>
Other segment terms included in the condensed consolidated income statement are as follows:			
Depreciation of property, plant and equipment	57	464	521
Amortisation of leasehold land and land use rights	–	8	8
Amortisation of properties held for sale – leasehold land and land use rights	–	39	39
Impairment of trade and bills receivables	1,872	–	1,872
Write-down to net realisable value of inventories	2,566	–	2,566
Fair value gains on investment properties	–	–	–
The segment assets and liabilities at 30 June 2006 and capital expenditure for the period then ended are as follows:			
Segment assets	496,155	646,577	1,142,732
Interests in associates		49,156	49,156
Unallocated assets			<u>72,388</u>
Total assets			<u>1,264,276</u>
Segment liabilities	456,227	136,737	592,964
Unallocated liabilities			<u>158,963</u>
Total liabilities			<u>751,927</u>
Capital expenditure	<u>16</u>	<u>55</u>	<u>71</u>

5. Segment information (Cont'd)

	General trading 2005 <i>HK\$'000</i>	Property investment 2005 <i>HK\$'000</i>	GROUP 2005 <i>HK\$'000</i>
The segment results for the six months ended 30 June 2005 are as follows:			
Sales	<u>925,475</u>	<u>23,080</u>	<u>948,555</u>
Segment results	<u>9,245</u>	<u>13,750</u>	22,995
Unallocated corporate expenses			<u>(2,990)</u>
Operating profit			20,005
Finance costs			(2,311)
Share of loss of associates		(4,798)	<u>(4,798)</u>
Profit before income tax			12,896
Income tax expense			<u>(2,007)</u>
Profit for the period			<u>10,889</u>
Other segment terms included in the condensed consolidated income statement are as follows:			
Depreciation of property, plant and equipment	16	576	592
Amortisation of leasehold land and land use rights	–	17	17
Amortisation of properties held for sale – leasehold land and land use rights	–	42	42
Impairment charge of leasehold land and land use rights	–	104	104
Impairment charge of properties held for sale-buildings	–	800	800
Impairment of trade and bills receivables	500	–	500
Write-down to net realisable value of inventories	2,645	–	2,645
Fair value gains on investment properties	–	8,124	8,124
The segment assets and liabilities at 31 December 2005 and capital expenditure for the six months ended 30 June 2005 are as follows:			
Segment assets	170,245	691,287	861,532
Interests in associates		48,759	48,759
Unallocated assets			<u>19,923</u>
Total assets			<u>930,214</u>
Segment liabilities	145,859	122,188	268,047
Unallocated liabilities			<u>162,902</u>
Total liabilities			<u>430,949</u>
Capital expenditure	<u>–</u>	<u>365</u>	<u>365</u>

5. Segment information (Cont'd)

Secondary reporting format – geographical segments

	GROUP			Total assets
	Unaudited			
	30 June 2006			
	Sales	Segment	Capital	
	HK\$'000	results	expenditure	HK\$'000
		HK\$'000	HK\$'000	HK\$'000
Hong Kong	6,713	6,125	32	414,248
Mainland China	746,499	12,538	39	791,676
Other countries	24,411	1,513	–	9,196
	<u>777,623</u>	<u>20,176</u>	<u>71</u>	<u>1,215,120</u>
Unallocated corporate expenses		<u>936</u>		
Operating profit		<u>21,112</u>		
Interests in associates				<u>49,156</u>
Total assets				<u>1,264,276</u>

	GROUP			Audited
	Unaudited			
	For the six months ended			31 December
	30 June 2005			2005
	Sales	Segment	Capital	Total
	HK\$'000	results	expenditure	assets
		HK\$'000	HK\$'000	HK\$'000
Hong Kong	6,694	14,662	7	414,758
Mainland China	932,806	8,286	358	457,891
Other countries	9,055	47	–	8,806
	<u>948,555</u>	<u>22,995</u>	<u>365</u>	<u>881,455</u>
Unallocated corporate expenses		<u>(2,990)</u>		
Operating profit		<u>20,005</u>		
Interests in associates				<u>48,759</u>
Total assets				<u>930,214</u>

5. Segment information (Cont'd)

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Analysis of sales by category		
Sales of goods	767,034	925,475
Sales of properties	–	12,468
Rental income from investment properties	10,375	10,394
Agency fee income	214	218
	<u>777,623</u>	<u>948,555</u>

6. Capital expenditure

	Investment properties Unaudited HK\$'000	Property, plant and equipment Unaudited HK\$'000	Leasehold and land use rights Unaudited HK\$'000
Six months ended 30 June 2006			
Opening net book amount as at 1 January 2006	565,474	10,993	10,856
Additions	–	71	–
Depreciation/amortisation charge	–	(521)	(8)
	<u>565,474</u>	<u>10,543</u>	<u>10,848</u>
Closing net book amount as at 30 June 2006	<u>565,474</u>	<u>10,543</u>	<u>10,848</u>
Six months ended 30 June 2005			
Opening net book amount as at 1 January 2005	531,266	12,118	11,990
Exchange differences	–	2	(1)
Additions	–	365	–
Disposals	–	(103)	–
Depreciation/amortisation charge	–	(592)	(17)
Impairment charge	–	–	(104)
Transfers	1,550	(546)	(1,004)
Revaluation surplus	8,124	–	–
	<u>540,940</u>	<u>11,244</u>	<u>10,864</u>
Closing net book amount as at 30 June 2005	<u>540,940</u>	<u>11,244</u>	<u>10,864</u>

7. Trade and other receivables

	As at	31 December
	30 June 2006	2005
	Unaudited	Audited
	HK\$'000	HK\$'000
Trade receivables	29,893	22,193
Bills receivable	234,768	60,237
Less: provision for impairment of receivables	<u>(3,735)</u>	<u>(1,863)</u>
Trade and bills receivables – net	<u>260,926</u>	<u>80,567</u>
Prepayments	65,103	17,762
Other receivables	<u>–</u>	<u>589</u>
	<u>65,103</u>	<u>18,351</u>
	<u>326,029</u>	<u>98,918</u>

The majority of the Group's sales are on letter of credit. At 30 June 2006 and 31 December 2005, the ageing analysis of the trade and bills receivables were as follows:

	As at	31 December
	30 June 2006	2005
	Unaudited	Audited
	HK\$'000	HK\$'000
Less than 30 days	243,980	79,949
30 – 60 days	15,490	10
60 – 90 days	61	9
Over 90 days	<u>1,395</u>	<u>599</u>
	<u>260,926</u>	<u>80,567</u>

There is no concentration of credit risk with respect to trade and bills receivables, as the majority of the Group's trade and bills receivables are on letter of credit.

Certain subsidiaries of the Group transferred bills receivable balances amounting to approximately HK\$27,223,000 to banks in exchange for cash at 30 June 2006 (31 December 2005: HK\$16,474,000). The transaction has been accounted for as collateralised borrowings (Note 11).

The Group has recognized a loss of HK\$1,872,000 (2005: HK\$500,000) for the impairment of its trade and bills receivables during the six months ended 30 June 2006. The loss has been included in selling expenses in the income statement.

8. Available-for-sale financial assets

Unaudited
For the six months ended

30 June 30 June
2006 2005
HK\$'000 **HK\$'000**

At 1 January	894	862
Revaluation surplus transfer to equity	–	222
	894	862
At 30 June	894	1,084

There were no disposal or impairment provisions on available-for-sale financial assets in 2006 (2005: Nil).

9. Financial assets at fair value through profit or loss

As at

30 June 31 December
2006 2005
Unaudited Audited
HK\$'000 **HK\$'000**
As restated

Current

Market value of equity securities listed in China	222	763
	222	763

The carrying amounts of the above financial assets are classified as held for trading financial assets.

10. Share capital

As at

30 June 31 December
2006 2005
Unaudited Audited
HK\$'000 **HK\$'000**

Authorised		
500,000,000 (2005: 500,000,000)		
ordinary shares of HK\$0.20 each	100,000	100,000
	100,000	100,000
Issued and fully paid		
261,684,910 (2005: 261,684,910)		
ordinary shares of HK\$0.20 each	52,337	52,337
	52,337	52,337

11. Trade and other payables

As at

30 June 2006 31 December
Unaudited 2005
HK\$'000 Audited
HK\$'000

Trade and bills payables	189,275	74,824
Other payables and accrued expenses	240,154	85,454
Rental deposits received	4,154	4,589
	433,583	164,867

11. Trade and other payables (Cont'd)

At 30 June 2006 and 31 December 2005, the ageing analysis of the trade and bills payables were as follows:

	As at	
	30 June 2006	31 December 2005
	Unaudited	Audited
	HK\$'000	HK\$'000
Less than 30 days	170,372	74,398
30 – 60 days	17,029	28
61 – 90 days	98	–
Over 90 days	1,776	398
	<u>189,275</u>	<u>74,824</u>

12. Borrowings, secured

	As at	
	30 June 2006	31 December 2005
	Unaudited	Audited
	HK\$'000	HK\$'000
Non-current		
Bank borrowings	<u>162,524</u>	<u>153,469</u>
Current		
Trust receipt loans	30,593	–
Collateralised borrowings (Note 7)	27,223	16,474
Bank borrowings	<u>29,148</u>	<u>26,620</u>
	<u>86,964</u>	<u>43,094</u>
Total borrowings	<u>249,488</u>	<u>196,563</u>

The maturity of borrowings is as follows:

	As at	
	30 June 2006	31 December 2005
	Unaudited	Audited
	HK\$'000	HK\$'000
Within 1 year	71,876	43,094
Between 1 and 2 years	–	12,818
Between 2 and 5 years	<u>33,330</u>	<u>46,179</u>
Wholly repayable within 5 years	105,206	102,091
Over 5 years	<u>144,282</u>	<u>94,472</u>
Total borrowings	<u>249,488</u>	<u>196,563</u>

The carrying amounts of borrowings approximate their fair value.

12. Bank loans – secured (Cont'd)

The carrying amounts of the borrowings are denominated in the following currencies:

	As at	
	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Hong Kong dollar	130,348	135,450
US dollar	87,562	47,081
RMB	31,578	14,032
	<u>249,488</u>	<u>196,563</u>

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Floating rate – expiring within one year	<u>70,931</u>	<u>238,715</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 1 July 2006 to 30 June 2007.

Movements in borrowings is analysed as follows:

	Unaudited HK\$'000
Six months ended 30 June 2006	
Opening amount as at 1 January 2006	196,563
Proceeds from borrowings	30,890
Repayments of borrowings	(19,307)
Increase in trust receipt loans	30,593
Increase in collateralised borrowings	10,749
Closing amount as at 30 June 2006	<u>249,488</u>
Six months ended 30 June 2005	
Opening amount as at 1 January 2005	166,145
Proceeds from borrowings	48,414
Repayments of borrowings	(46,169)
Increase in collateralised borrowings	89,323
Closing amount as at 30 June 2005	<u>257,713</u>

13. Other gains net

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
		As restated
Fair value gains on investment properties	–	8,124
Interest income	2,756	557
Gain on foreign exchange forward contracts	–	1,834
Other financial assets at fair value through profit or loss:		
– fair value losses (unrealised) – current assets	–	(4)
– fair value gains (realised)	99	33
Net foreign exchange gains	624	159
Loss on sale of property, plant and equipment	–	(22)
Write-down to net realisable value of inventories	(2,566)	(2,645)
Others	1,731	(2,128)
	<u>2,644</u>	<u>5,908</u>

14. Operating profit

Operating profit is stated after charging the following:

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (<i>Note 6</i>)	521	592
Amortisation of leasehold land and land use rights (<i>Note 6</i>)	8	17
Amortisation of properties held for sale		
–leasehold land and land use rights	39	42
Impairment of leasehold land and land use rights (<i>Note 6</i>)	–	104
Impairment charge of properties held for sale-buildings	–	800
Impairment of trade and bills receivables	1,872	500
Employee benefit expense (excluding directors' emoluments)		
– wages and salaries	7,638	4,896
– retirement benefit costs – defined contribution plan	87	24
Freight charges	59,520	123,113
Direct operating expenses arising from investment properties that generate rental income	<u>1,212</u>	<u>1,898</u>

15. Finance costs

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Interest expense on bank loans and overdrafts	<u>4,946</u>	<u>2,311</u>

16. Income tax expense

No provision for Hong Kong profits tax has been made in the accounts as companies within the Group have no assessable profit for both periods. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current overseas taxation	–	263
Deferred income tax	541	1,744
	<u>541</u>	<u>2,007</u>

Share of associated companies' taxation charge for the six months ended 30 June 2006 of HK\$284,033 (2005: taxation credit of HK\$1,972,000) are included in the income statement as share of profits of associated companies.

17. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	16,051	11,056
Weighted average number of ordinary shares in issue (thousands)	261,685	261,685
Basic earnings per share (HK\$ per share)	0.0613	0.0422

Diluted

Diluted earnings per share are the same as the basic earnings per share since the Company has no dilutive potential ordinary share.

18. Dividend

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed of HK\$0.01 (2005: HK\$0.01) per ordinary share	<u>2,617</u>	<u>2,617</u>

- (a) At a meeting held on 28 March 2006, the directors proposed a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2005, which was paid on 25 May 2006 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2006.
- (b) At a meeting held on 22 September 2006, the directors declared an interim dividend of HK\$0.01 per ordinary share for the year ending 31 December 2006. This proposed dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

19. Contingencies

	GROUP		COMPANY	
	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Guarantees for banking facilities utilised by:				
– subsidiaries	–	–	659,511	352,947
– an associated company	11,627	13,304	11,627	13,304
	<u>11,627</u>	<u>13,304</u>	<u>671,138</u>	<u>366,251</u>

Management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

20. Commitments

At 30 June 2006, the Group had the following commitments:

	As at	
	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
(i) Capital commitments relating to acquisition of property, plant and equipment, investment properties and properties held for sale:		
Contracted but not provided for	<u>3,399</u>	<u>1,629</u>
(ii) Future aggregate minimum lease payments and receipts under non-cancellable operating leases in respect of land and buildings and investment properties are as follows:		
<i>As lessees:</i>		
Rental payments		
– Not later than one year	<u>–</u>	<u>276</u>
<i>As lessors:</i>		
Rental receipts		
– Not later than one year	17,847	14,141
– Later than one year and not later than five years	35,579	20,528
– Later than five years	<u>6,575</u>	<u>7,975</u>
	<u>60,001</u>	<u>42,644</u>

21. Related-party transactions

The Group is controlled by Fulcrest Limited (incorporated in Hong Kong), which owns 52.87% of the Company's shares. The ultimate parent of the Group is Asian Pacific Investment Corporation (incorporated in Panama).

a. Key management compensation

	Unaudited	
	For the six months ended	
	30 June 2006	30 June 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	<u>3,291</u>	<u>3,053</u>

b. Loan to and amount due from an associate

	30 June 2006	30 June 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on loan to an associate	<u>2,340</u>	<u>172</u>

	Loan to an associate		Amount due from an associate	
	<i>(Note (i))</i>		<i>(Note (ii))</i>	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at	<u>12,868</u>	<u>8,768</u>	<u>40,418</u>	<u>40,710</u>

Note:

(i) Loan to an associate

The loan to an associate bears interest at rates determined by shareholders of the associate with reference to the prevailing market rates. The loan is unsecured and has no fixed term of repayment.

(ii) Amount due from an associate

The amount due from an associate is unsecured, interest free and repayable on demand. The carrying amount of amount due from an associate approximates its fair value.

22. Subsequent Events

A subsidiary of the Group entered into an agreement in May for the sale of an investment property at a consideration of HK\$13,500,000. The transaction was completed on 14 July 2006.

After the balance date, another subsidiary entered into an agreement for the purchase of the remaining interest in a 95% owned subsidiary at a consideration of US\$2,860,000. The transaction was completed on 22 August 2006.

23. Seasonality of Interim Operations

The effect of seasonal fluctuation on the Group's interim operations was immaterial.