



GREAT CHINA

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# GREAT CHINA HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liabilities)*

(Stock Code: 0141)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE 2007

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The board of directors (“the Board”) of Great China Holdings Limited (“the Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006. The results have been reviewed by the Company’s audit committee.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group’s turnover for the six months ended 30 June 2007 was HK\$765,331,000, representing a drop of approximately 1.6% from the same period last year. The reduction in sales was mainly due to the decrease in demand for tapioca for the period under review.

The Group’s revenue according to different business operations for the period under review as compared with the same period of 2006 is set out below:

	Six month ended 30 June 2007		Six month ended 30 June 2006	
	<i>HK\$'000</i> Unaudited	<i>Percentage</i> <i>of turnover</i>	<i>HK\$'000</i> Unaudited	<i>Percentage</i> <i>of turnover</i>
Fishmeal products	<b>610,449</b>	<b>79.7%</b>	539,921	69.4%
Tapioca products	<b>140,980</b>	<b>18.4%</b>	225,896	29.0%
Heater trading	<b>519</b>	<b>0.1%</b>	1,217	0.2%
Property investment in Hong Kong	<b>8,034</b>	<b>1.1%</b>	6,353	0.8%
Property investment in PRC	<b>5,349</b>	<b>0.7%</b>	4,236	0.6%
	<b><u>765,331</u></b>	<b><u>100.0%</u></b>	<b><u>777,623</u></b>	<b><u>100.0%</u></b>

The Group’s net profit for the six months ended 30 June 2007 decreased by about 6% to HK\$15,035,000, as compared to a net profit of approximately HK\$16,051,000 in the same period last year. The decrease was mainly due to an unexpected fluctuation in market prices and demand for fishmeal in Mainland China market, which led to a segmental loss of HK\$46,670,000 in the Group’s general trading business for the six months ended 30 June 2007 as compared with a segmental profit of HK\$15,122,000 for the same period last year. Such segmental trading loss mainly consisted of the inventory provision of HK\$41,892,000 which was charged to cost of sales directly in the income statement. The market price of fishmeal was stable for the first quarter of 2007 and suddenly decreased by approximately 26% from May 2007 to August 2007. The magnitude of decrease within such a short period of time has not been occurred in last 20 years and could not be anticipated by the management in 2007. The market price of fishmeal appeared to have stabilized at current level by the end of August 2007. The management has since reviewed the inventory provision and made a prudent provision in the accounts for the 6 months ended 30 June 2007.

Despite the loss on the general trading segment, the Group has recorded the gain on revaluation of investment properties of approximately HK\$62,352,000 (2006: Nil), together with the increase in share of profit of associates by HK\$17,564,000 to HK\$17,990,000 (2006: HK\$426,000).

## BUSINESS REVIEW

### General Trading

During the period under review, the performance of general trading operations was disappointing which was mainly due to the unfavourable fishmeal market conditions as aforementioned. Taking into account the inventory provision, gross profit margin from general trading operations was only 2% for the six months ended 30 June 2007 as compared to 11.5% for the corresponding period last year.

### Fishmeal Products

The Group actively expanded in fishmeal distribution channels in the Mainland China which necessitated a high level of inventories, so as to maintain a consistent supply to end-customers throughout the year. As a result, the Group entered into various contracts with fishmeal suppliers at a relatively high price in the first quarter of 2007. However, the fishmeal price has started to drop significantly since May 2007 due to an unexpected weakness in the market demand during the normal high season in Mainland China fishmeal market. Subsequently, the Group was required to sell its fishmeal at a relatively low price in order to clear off the inventories and had resulting in a net loss. In order to reflect the net realizable value of fishmeal inventories as at 30 June 2007, the management made inventory provision of HK\$41,892,000 (2006: HK\$2,566,000) which accounted for a substantial part of the trading operation segmental loss for the six months ended 30 June 2007.

In order to minimize the trading loss, the management has ceased to enter into any new supply contracts with the suppliers until all current contracts on hand are completed. The Group will keep the inventory at a minimum level in the foreseeable future.

### Tapioca Products

The prices of tapioca products went up in the first half of 2007, though such prices have remained relatively stable for most part of 2006. Due to fierce market competition and the higher sea freights costs from South East Asia to Mainland China, the profit margin of our tapioca products was further squeezed and our tapioca division did not contribute much to the Group's operating results during the period under review.

### Property Investment

The following table sets out the performance of property investment operation analysed by geographical areas for the period ended 30 June 2007, with comparison in the same period of 2006:

	Six month ended 30 June 2007		Six month ended 30 June 2006	
	HK\$'000 Unaudited	Percentage	HK\$'000 Unaudited	Percentage
Revenue				
Property Investment in Hong Kong	<b>8,034</b>	<b>60%</b>	6,353	60%
Property Investment in Mainland China	<b>5,349</b>	<b>40%</b>	4,236	40%
	<b><u>13,383</u></b>	<b><u>100%</u></b>	<b><u>10,589</u></b>	<b><u>100%</u></b>
Net Profit (excluding revaluation gain)				
Property Investment in Hong Kong	<b>3,258</b>	<b>56%</b>	1,391	22%
Property Investment in Mainland China	<b>2,563</b>	<b>44%</b>	4,835	78%
	<b><u>5,821</u></b>	<b><u>100%</u></b>	<b><u>6,226</u></b>	<b><u>100%</u></b>

During the period under review, there was a gain of around HK\$62,352,000 (2006: Nil) from revaluation of investment properties in Hong Kong and Mainland China. The fair value gain for the period ended 30 June 2007 represented the surplus of the revalued amount of the Group's investment properties at 30 June 2007 over the revalued amount of the Group's investment properties at 31 December 2006. A substantial portion of this gain was attributable to the renovated investment properties in Mainland China which were converted into commercial use resulted in the value has appreciated significantly in the first half year.

The share of profit of associates of HK\$17,990,000 (2006: HK\$426,000) included the attributable share of fair value gain on investment properties owned by associates of approximately HK\$19,565,000 (2006: Nil). The investment properties of the Group and associates were revalued at 30 June 2007, 31 December 2006 and 31 December 2005 by independent professionally qualified valuers, A. G. Wilkinson & Associates. In the opinion of directors, the fair value of the Group's and the associates' investment properties as at 30 June 2006 did not differ materially from revalued amount at 31 December 2005. No fair value gain on investment properties was recognized for the six months ended 30 June 2006 because the revaluation gain mainly arose from the revision in rental renewals and the change in usage of the properties occurred in the second half of 2006.

#### *Property Investment in Hong Kong*

Gross rental income in certain commercial properties in Hong Kong for the period under review amounted to HK\$8,034,000 (2006: HK\$6,353,000), representing a growth of approximately 27% as compared to last corresponding period. Profit from operations for the period under review amounted to HK\$3,258,000 (2006: HK\$1,391,000). The increase was mainly due to the increase in monthly rental and average occupancy rate of the Group's properties during the period under review.

#### *Property Investment in Mainland China*

Renovation work on one block of our major properties located at Chang Ning District, Shanghai was completed in April 2007 and the property was leased out to a new tenant in May 2007. Such renovated property will generate additional monthly rental income of RMB460,000. Gross rental income from the property investment in Mainland China for the period under review amounted to HK\$5,349,000 (2006: HK\$4,236,000), representing a growth of approximately 26% as compared to last corresponding period. Profit from operations for the period under review amounted to HK\$2,563,000 (2006: HK\$4,835,000). The decrease in profit from operations was mainly due to one-off renovation and repair costs on property incurred during the period under review.

## **PROSPECTS**

### **General Trading**

#### *Fishmeal Products*

The central government of Mainland is highly concerned with the recent pig disease and this has resulted in a significant loss for pig farmers who have substantially reduced the consumption of fishmeal products in recent months. All local governments and related sectors in Mainland China are taking measures to ensure that there will be adequate supply of pork in the market. The management believes that the PRC government's policy to support pig farmers to increase the supply of pigs in turn will gradually increase the consumption of fishmeal products. As long as the pig disease is under control, the management is optimistic about the future demand for fishmeal products and the stability of the market prices of fishmeal products. In the meantime, the management will be more cautious on the fluctuation in the price of fishmeal and its market demand.

#### *Tapioca Products*

The management is currently exploring sourcing opportunities in Vietnam and is seeking more ship chartering brokers to reduce sea freights costs with a view to achieving a turnaround in the tapioca trading operation. In the meantime, the management will closely monitor this operations and further reduce its overheads.

### **Property Investment**

#### *Property Investment in Hong Kong*

There has been an upturn in the overall economy of Hong Kong and the improvement in the retail and leasing market has brought the market price of retail shops in prime location to a record high. The management believes that such positive market sentiment provides opportunities to realize certain retail shops at very attractive prices.

As announced by the Company, on 25 July 2007, the Company entered into a provisional agreement for sale of an investment property located in Shop No. 3 on Ground Floor, Wah On Building, No. 47 Mut Wah Street, Kwun Tong, Kowloon, Hong Kong at a consideration of HK\$24,600,000. The carrying amount of the property as at 30 June 2007 was HK\$26,500,000 (31 December 2006: HK\$26,500,000).

In addition, on 3 September 2007, the Company entered into another provisional agreement for sale of an investment property located in Shop B on Ground Floor, Mercantile House, No. 186A Nathan Road, Tsimshatsui, Kowloon, Hong Kong at a consideration of HK\$34,300,000. The carrying amount of the property as at 30 June 2007 was HK\$26,800,000 (31 December 2006: HK\$24,800,000).

#### *Property Investment in Mainland China*

The Group is confident in the economic development in the Mainland China which provides an opportunity to the Group to sell its residential properties at favourable prices. Subsequent to the period end date, the Group has successfully sold several units of the upper floor of Merry Tower apartments located at Jingan District in Shanghai.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has declared an interim dividend of HK\$0.01 per share for the six months ended 30 June 2007 (2006: HK\$0.01 per share) payable on or about 26 October 2007 to the shareholders of the Company whose names are on the register of members of the Company on 12 October 2007.

The register of members of the Company will be closed from Wednesday, 10 October 2007 to Friday, 12 October 2007, both days inclusive, during which period no share transfer will be registered. In order to qualify for entitlement to the interim dividend declared by the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 9 October 2007.

## **CAPITAL INVESTMENT AND COMMITMENTS**

The Group did not incur or commit any material investment or capital expenditure during the period under review.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2007, the total bank borrowings and the equity of the Group amounted respectively to approximately HK\$262,867,000 (31 December 2006: HK\$199,958,000) and HK\$580,638,000 (31 December 2006: HK\$567,754,000). The gearing ratio, defined as total bank borrowings to equity, was 45.3% as at 30 June 2007 (31 December 2006: 35.2%). The Group's bank borrowings were denominated in HK dollars, US dollars and Renminbi.

As at 30 June 2007, the Group's utilized letter of credit facilities amounted to HK\$227,385,000 (31 December 2006: HK\$225,380,000), and the Group had available but not yet utilized banking facilities amounting to HK\$276,915,000 (31 December 2006: HK\$316,924,000). The aforesaid utilized and available banking facilities were secured by the following pledged assets: certain leasehold land and land use rights with an aggregate book value of HK\$10,534,000 (31 December 2006: HK\$10,540,000); property, plant and equipment of HK\$5,881,000 (31 December 2006: HK\$5,983,000); investment properties of HK\$641,438,000 (31 December 2006: HK\$580,029,000) and properties held for sale of HK\$40,919,000 (31 December 2006: HK\$39,212,000).

## **CONTINGENT LIABILITIES**

At 30 June 2007, the Group's contingent liabilities in respect of corporate guarantees for banking facilities utilised by an associate amounted to HK\$10,845,000 (31 December 2006: HK\$11,068,000).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's transactions are denominated in Hong Kong dollars, US dollars and Renminbi and the related exchange rates are considered relatively stable, and accordingly, the exposure to fluctuations in exchange rate is minimal, and no foreign exchange and interest rate risk management or related hedges were made.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed 97 employees (2006: 111) with staff cost for the six months then ended amounting to approximately HK\$7,197,000 (2006: HK\$7,725,000). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme and mandatory provident fund. Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

## CHANGE OF AUDITORS

As announced by the Company on 18 May 2007, the Company appointed Messrs Deloitte Touche Tohmatsu as its auditors to fill the casual vacancy arising from the retirement of PricewaterhouseCoopers at the annual general meeting of the Company held on 18 May 2007.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its code of conduct regarding directors’ dealing in the Company’s securities. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2007, the interests of directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the “SFO”), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code, were as follows:

### Long position in the shares of the Company

Director	Number of shares interested			% of issued share capital
	Family interests	Corporate interests	Total	
Mr. Rustom Ming Yu HO	0	138,347,288*	138,347,288	52.87
Mr. John Ming Tak HO	600,000	138,347,288*	138,947,288	53.10

\* By virtue of the SFO, both Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO were deemed to have interests in the 138,347,288 shares of the Company held by Fulcrest Limited, a company in which Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO had controlling interests. Interests in the same shares are also shown under the section headed “Substantial shareholders’ interests and short positions in shares and underlying shares of the Company”

Save as disclosed above, as at 30 June 2007, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 30 June 2007, the following companies had interests in more than 5% of the Company's issued share capital:

### **Long position in the shares of the Company**

<b>Substantial Shareholder</b>	<b>Number of shares interested</b>			<b>% of issued share capital</b>
	<b>Direct interests</b>	<b>Deemed interests</b>	<b>Total</b>	
Fulcrest Limited	138,347,288	0	138,347,288	52.87
Asian Pacific Investment Corporation	0	138,347,288 <sup>#</sup>	138,347,288	52.87
Kwong Fong Holdings Limited	710,000	138,347,288 <sup>#</sup>	139,057,288	53.14
Kwong Fong Industries Corporation	8,680,000	139,057,288 <sup>#</sup>	147,737,288	56.46
COFCO (Hong Kong) Limited	45,058,000	0	45,058,000	17.22

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

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations" above) who, as at 30 June 2007, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

## **CORPORATE GOVERNANCE**

The Board recognizes the importance of corporate governance and has adopted measures to ensure that good corporate governance is maintained. The Board believes that an adequate standard of corporate governance is important and constructive in balancing the interests of different stakeholders and in upholding accountability and transparency.



In the opinion of the Board, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

#### **NOMINATION COMMITTEE**

The committee is to identify, select and nominate suitable individuals for appointment as executive or independent non-executive directors. It also reviews the structure, size and composition of the Board on regular basis and make recommendations to the Board regarding any proposed changes. The review is on an annual basis and as required.

#### **REMUNERATION COMMITTEE**

The committee is to make recommendation to the Board regarding the Group's remuneration policy, and formulating and reviewing the specific remuneration packages of all directors of the Company. The review is on an annual basis.

#### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the management of the Company these interim financial statements, and the accounting principles and accounting standards adopted by the Group and discussed matters relating to auditing, internal control and financial reporting.

#### **INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS**

The Group understands the importance of maintaining effective communication with our shareholders and the investment community. The Board has adopted a Policy on Market Disclosure, Investor and Media Relations, published on the Company's website (<http://www.tricor.com.hk/web/service/000141>), to ensure that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Group.

#### **APPRECIATION**

On behalf of the Board, I would like to express my heartfelt gratitude to shareholders, customers, suppliers, bankers and professional advisors for their continuous support to the Group and to sincerely thank all the staff for their ongoing dedication and diligence to the Group's overall development.

#### **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises three executive directors, namely Mr Rustom Ming Yu HO, Mr John Ming Tak HO and Mr Kwok Wai POON; and three independent non-executive directors, namely Mr Lawrence Kam Kee YU *BBS MBE JP*, Mr David Hon To YU and Mr Hsu Chou WU.

By Order of the Board  
**John Ming Tak HO**  
*Managing Director*

Hong Kong, 21 September 2007

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
		<b>Unaudited</b>	Unaudited
Turnover	2	<b>765,331</b>	777,623
Cost of sales		<b>(736,801)</b>	(679,127)
<b>Gross profit</b>		<b>28,530</b>	98,496
Other gains, net	4	<b>66,261</b>	5,761
Selling expenses		<b>(58,894)</b>	(69,612)
Administrative expenses		<b>(15,242)</b>	(12,358)
Finance costs		<b>(5,904)</b>	(6,121)
Share of profit of associates		<b>17,990</b>	426
<b>Profit before taxation</b>	5	<b>32,741</b>	16,592
Income tax expenses	6	<b>(17,706)</b>	(541)
<b>Profit attributable to equity holders of the Company</b>		<b>15,035</b>	16,051
<b>Dividends</b>	7	<b>2,617</b>	2,617
<b>Earnings per share attributable to equity holders of the Company:</b>			
– Basic	8	<b>HK\$5.75 cents</b>	HK\$6.13 cents
– Diluted	8	<b>HK\$5.75 cents</b>	HK\$6.13 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2007 <i>HK\$'000</i> <b>Unaudited</b>	At 31 December 2006 <i>HK\$'000</i> <b>Audited</b>
<b>Non-current assets</b>			
Goodwill		22,308	22,308
Investment properties	9	662,674	601,163
Property, plant and equipment		10,726	11,561
Leasehold land and land use rights		10,832	10,840
Interest in associates		68,669	50,715
Loan to an associate		12,019	12,019
Available-for-sale financial assets		2,274	2,274
		<b>789,502</b>	<b>710,880</b>
<b>Current assets</b>			
Properties held for sale		41,290	41,945
Inventories	10	203,556	121,625
Amount due from an associate		42,758	42,758
Trade and bills receivables	11	136,188	101,194
Prepayment, deposit and other receivables		31,491	24,102
Financial assets at fair value through profit or loss		–	75
Held-to-maturity financial assets		–	3,900
Cash at bank and in hand		62,676	57,715
		<b>517,959</b>	<b>393,314</b>
<b>Current liabilities</b>			
Trade and bills payables	13	129,556	120,230
Other payables and accrued expenses	14	236,876	137,736
Rental deposit received		6,688	5,370
Borrowings, secured	12	112,632	54,333
Current income tax liabilities		1,480	1,496
		<b>487,232</b>	<b>319,165</b>
<b>Net current assets</b>		<b>30,727</b>	<b>74,149</b>
<b>Total assets less current liabilities</b>		<b>820,229</b>	<b>785,029</b>
<b>Non-current liabilities</b>			
Borrowings, secured	12	150,235	145,625
Deferred income tax liabilities	15	89,356	71,650
		<b>239,591</b>	<b>217,275</b>
<b>NET ASSETS</b>		<b>580,638</b>	<b>567,754</b>
<b>Capital and reserves</b>			
Share capital	16	52,337	52,337
Reserves		528,301	515,417
		<b>580,638</b>	<b>567,754</b>
<b>TOTAL EQUITY</b>		<b>580,638</b>	<b>567,754</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Unaudited</b>					
	<b>Attributable to the equity holders of the parent</b>					
	<b>Share capital</b>	<b>Share premium</b>	<b>Exchange Fluctuation reserve</b>	<b>Available for-sale financial assets revaluation reserve</b>	<b>Retained earning</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2007	<b>52,337</b>	<b>19,516</b>	<b>13,457</b>	<b>(596)</b>	<b>483,040</b>	<b>567,754</b>
2006 final dividend paid	–	–	–	–	(2,617)	(2,617)
Exchange difference	–	–	<b>466</b>	–	–	<b>466</b>
Profit for the period	–	–	–	–	<b>15,035</b>	<b>15,035</b>
<b>At 30 June 2007</b>	<b><u>52,337</u></b>	<b><u>19,516</u></b>	<b><u>13,923</u></b>	<b><u>(596)</u></b>	<b><u>495,458</u></b>	<b><u>580,638</u></b>
At 1 January 2006	52,337	19,516	4,061	–	423,351	499,265
Adoption of Amendment to HKAS 39 “The fair value option”	–	–	–	(1,976)	1,976	–
As restated	<u>52,337</u>	<u>19,516</u>	<u>4,061</u>	<u>(1,976)</u>	<u>425,327</u>	<u>499,265</u>
2005 final dividend paid	–	–	–	–	(2,617)	(2,617)
Exchange difference	–	–	(350)	–	–	(350)
Profit for the period	–	–	–	–	16,051	16,051
At 30 June 2006	<b><u>52,337</u></b>	<b><u>19,516</u></b>	<b><u>3,711</u></b>	<b><u>(1,976)</u></b>	<b><u>438,761</u></b>	<b><u>512,349</u></b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***Six months ended 30 June 2007*

	<i>Note</i>	<b>2007</b> <b>HK\$'000</b> <b>Unaudited</b>	2006 <i>HK\$'000</i> Unaudited
<b>Net cash used in operating activities</b>		<b>(62,822)</b>	(55,967)
<b>Net cash generated from/(used in) investing activities</b>		<b>5,444</b>	(3,462)
<b>Net cash generated from financing activities</b>		<b>60,291</b>	50,948
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,913</b>	(8,481)
<b>Cash and cash equivalents at beginning of period</b>		<b>57,715</b>	34,126
Effect on exchange rate changes		<b>2,048</b>	(668)
<b>Cash and cash equivalents at end of period</b>		<b><u>62,676</u></b>	<b><u>24,977</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The unaudited condensed interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Listing Rules. These financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2006.

### Significant accounting policies

The accounting policies adopted in the preparation of these interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2006. The adoption of the new/revised Hong Kong Financial Reporting Standard (“HKFRS”) issued by the HKICPA that are relevant to the Group and effective from the current year, as set out below, did not have any significant effect on the financial position or performance of the Group.

#### *HK (IFRIC) Int-10 Interim financial reporting and impairment*

The Interpretation requires an entity not to reverse an impairment loss recognised in a previous interim period in respect of goodwill or financial asset carried at cost.

The Group did not early adopt the following new/revised HKAS/HKFRS that have been issued but not yet effective for the current period.

HKAS 23 (Revised)	Borrowing Costs	(Effective: 1 January 2009)
HKFRS 8	Operating segment	(Effective: 1 January 2009)
HK (IFRIC)-Int 12	Service concession arrangements	(Effective: 1 January 2008)

## 2 TURNOVER AND SEGMENT INFORMATION

### Primary reporting format – business segments

The Group has been organising on a worldwide basis into two main business segments:

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

### Secondary reporting format – geographical segments

The Group has been operating 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.

## 2 TURNOVER AND SEGMENT INFORMATION (Cont'd)

An analysis of the Group's turnover and/or operating results for the six months ended 30 June 2007 and 2006 by business and geographical segments is as follows:

### Business segments

	Six months ended 30 June 2007		
	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Group HK\$'000 Unaudited
The segment results for the six months ended 30 June 2007 are as follows:			
Turnover			
Sales	751,948	–	751,948
Rental income	–	13,383	13,383
	<u>751,948</u>	<u>13,383</u>	<u>765,331</u>
Segment results	<u>(46,670)</u>	<u>68,173*</u>	21,503
Unallocated expenses			<u>(848)</u>
			20,655
Finance costs (Note 5)			<u>(5,904)</u>
Share of profit of associates			17,990
			<u>32,741</u>
Profit before taxation			<u>(17,706)</u>
Income tax expenses (Note 6)			
Profit attributable to equity holders of the Company			<u>15,035</u>

\* The segment result of property investment included fair value gains on investment properties of HK\$62,352,000 (2006: Nil).

## 2 TURNOVER AND SEGMENT INFORMATION (Cont'd)

	Six months ended 30 June 2006		
	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Group HK\$'000 Unaudited
The segment results for the six months ended 30 June 2006 are as follows:			
Turnover			
Sales	767,034	–	767,034
Rental income	–	10,589	10,589
	<u>767,034</u>	<u>10,589</u>	<u>777,623</u>
Segment results	<u>15,122</u>	<u>6,226*</u>	21,348
Unallocated income			<u>939</u>
			22,287
Finance costs			(6,121)
Share of profit of associates			<u>426</u>
Profit before taxation			16,592
Income tax expenses			<u>(541)</u>
Profit attributable to equity holders of the Company			<u>16,051</u>

\* The segment result of property investment did not have a fair value gain on investment properties.

### Geographical segments

	Six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
<b>Turnover</b>		
Hong Kong	8,034	6,713
Mainland China	757,297	746,499
Other countries	–	24,411
	<u>765,331</u>	<u>777,623</u>

## 3 SEASONALITY OF OPERATIONS

The Group's general trading operations are subject to seasonal fluctuation. In general, demand for the Group's products increases in the second quarter and the third quarter of each year and decreases thereafter.



#### 4 OTHER GAINS, NET

	Six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Interest income	1,443	3,931
Realised gain on financial assets at fair value through profit or loss	478	99
Fair value gains on investment properties*	62,352	–
Others	1,988	1,731
	<u>66,261</u>	<u>5,761</u>

\* *Investment properties of the Group were revalued at 30 June 2007, by independent professionally qualified valuers, A.G. Wilkinson & Associates. Valuations were based on current prices in an active market or discounted cash flow projections.*

#### 5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
<b>Finance costs</b>		
Interest on bank borrowings wholly repayable within five years	5,304	5,775
Interest on borrowings repayable over five years	600	346
Total borrowing costs	<u>5,904</u>	<u>6,121</u>
<b>Other items</b>		
Employee benefits expense		
Wages and salaries	7,094	7,638
Retirement benefit costs – defined contribution plan	103	87
Depreciation	682	521
Amortisation of properties held for sale	39	39
Amortisation of leasehold land and land use right	8	8
Impairment of trade and bills receivables	740	1,872
Write-down of inventories to net realisable value	41,892	2,566
Exchange loss/(gain)	1,483	(624)
Freight charges	43,736	59,520

## 6 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the accounts as companies within the Group have no assessable profits arising in Hong Kong for both periods.

The major components of income tax expense are:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	–	–
Deferred taxation		
Origination and reversal of temporary differences in respect of revaluation of investment properties	17,706	541
Total income tax charge for the period	<u>17,706</u>	<u>541</u>

## 7 DIVIDENDS

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interim dividend of HK\$0.01 per share (2006: HK\$0.01 per share)	<u>2,617</u>	<u>2,617</u>

- (a) At a meeting held on 30 March 2007, the Board proposed a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2006, which was paid on 28 May 2007 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2007.
- (b) At a meeting held on 21 September 2007, the Board declared an interim dividend of HK\$0.01 per ordinary share for the year ending 31 December 2007. This interim dividend is not reflected as a dividend payable in these condensed interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

## 8 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

### 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.

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
Profit attributable to equity holders of the Company	<u>HK\$15,035,000</u>	<u>HK\$16,051,000</u>
Weighted average number of ordinary shares in issue	<u>261,685,000</u>	<u>261,685,000</u>
Basic earnings per share	<u>HK\$5.75 cents</u>	<u>HK\$6.13 cents</u>

### Diluted

Diluted earnings per share for the above two periods were the same as the basic earnings per share for these periods since the Company had no dilutive potential ordinary shares during these periods.

## 9 INVESTMENT PROPERTIES

	At 30 June	At 31 December
	2007	2006
	HK\$'000	HK\$'000
	Unaudited	Audited
<b>At fair value</b>		
At beginning of year	601,163	565,474
Additions	–	93
Change in fair value (Note 4)	62,352	22,158
Transfer from properties held for sale	–	19,500
Disposal	–	(13,325)
Exchange differences	(841)	7,263
Balance sheet date	<u>662,674</u>	<u>601,163</u>

Investment properties were revalued at 30 June 2007 by independent professionally qualified valuers, A.G. Wilkinson & Associates. Valuations were based on current prices in an active market or discounted cash flow projections.

The period of leases whereby the Group leases out its investment property under operating leases is two years or more.

## 10 INVENTORIES

	At 30 June	At 31 December
	2007	2006
	HK\$'000	HK\$'000
	Unaudited	Audited
Finished goods, at cost	245,448	132,660
Less: provision to reduce inventories to net realisable value	(41,892)	(11,035)
	<u>203,556</u>	<u>121,625</u>

## 11 TRADE AND BILLS RECEIVABLES

	At 30 June 2007 <i>HK\$'000</i> Unaudited	At 31 December 2006 <i>HK\$'000</i> Audited
Bills receivables	86,828	34,768
Trade receivables	51,989	68,315
	<u>138,817</u>	<u>103,083</u>
Provision for impairment of receivable	(2,629)	(1,889)
	<u><u>136,188</u></u>	<u><u>101,194</u></u>

The ageing analysis of the trade and bills receivables is as follows:

	At 30 June 2007 <i>HK\$'000</i> Unaudited	At 31 December 2006 <i>HK\$'000</i> Audited
0 - 30 days	83,650	94,973
31 - 60 days	180	–
61 - 90 days	3,784	–
Over 90 days	48,574	6,221
	<u>136,188</u>	<u>101,194</u>

*Note:*

As at the date of this report, the trade and bills receivables balance of approximately 125,225,000 was subsequently settled. The unsettled balance of approximately HK\$10,963,000 aged over 90 days represented trade receivable from the Group's PRC sales partner.

## 12 BORROWINGS, SECURED

	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
<b>Non-current</b>		
Bank borrowings	<u>150,235</u>	<u>145,625</u>
<b>Current</b>		
Bank overdrafts	–	4,686
Collateralised borrowings	<u>35,055</u>	<u>5,055</u>
Bank borrowings	<u>77,577</u>	<u>44,592</u>
	<u>112,632</u>	<u>54,333</u>
<b>Total borrowings</b>	<u><u>262,867</u></u>	<u><u>199,958</u></u>
	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
Within 1 year	<u>112,632</u>	<u>54,333</u>
Between 1 and 2 years	<u>38,133</u>	<u>38,134</u>
Between 2 and 5 years	<u>33,675</u>	<u>33,674</u>
Wholly repayable within 5 years	<u>184,440</u>	<u>126,141</u>
Over 5 years	<u>78,427</u>	<u>73,817</u>
	<u><u>262,867</u></u>	<u><u>199,958</u></u>

Borrowings were secured by the following pledged assets: certain leasehold land and land use rights with an aggregate book value of HK\$10,534,000 (31 December 2006: HK\$10,540,000), property, plant and equipment of HK\$5,881,000 (31 December 2006: HK\$5,983,000), investment properties of HK\$641,438,000 (31 December 2006: HK\$580,029,000), properties held for sale of HK\$40,919,000 (31 December 2006: HK\$39,212,000). Collateralised borrowings are secured by trade and bills receivables amounting to HK\$35,055,000 (2006: HK\$5,055,000).

The carrying amounts of borrowings approximate their fair value.

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

	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
Hong Kong dollar	<u>125,567</u>	<u>134,318</u>
US dollar	<u>81,005</u>	<u>33,920</u>
RMB	<u>56,295</u>	<u>31,720</u>
	<u><u>262,867</u></u>	<u><u>199,958</u></u>

## 12 BORROWINGS, SECURED (Cont'd)

The Group has the following undrawn borrowing facilities:

	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
Floating rate		
– expiring within one year	<u>276,915</u>	<u>316,924</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2007.

## 13 TRADE AND BILLS PAYABLES

	<b>At 30 June 2007 HK\$'000 Unaudited</b>	At 31 December 2006 HK\$'000 Audited
Bills payables	<b>120,243</b>	117,591
Trade payables	<b>9,313</b>	2,639
	<u><b>129,556</b></u>	<u>120,230</u>

The ageing analysis of trade and bills payables is as follows:

	<b>At 30 June 2007 HK\$'000 Unaudited</b>	At 31 December 2006 HK\$'000 Audited
0 - 30 days	<b>109,431</b>	119,794
31 - 60 days	–	14
61 - 90 days	<b>12,122</b>	–
Over 90 days	<b>8,003</b>	422
	<u><b>129,556</b></u>	<u>120,230</u>

## 14 OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses of the Group as at 30 June 2007 included trading deposit receipts for fishmeal products of HK\$176,676,000 (31 December 2006: HK\$76,854,000).

## 15 DEFERRED INCOME TAX LIABILITIES

The gross movement on the deferred income tax account is as follows:

	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
At beginning of year	71,650	68,315
Exchange differences	–	783
Charged to the income statement ( <i>Note 6</i> )	<u>17,706</u>	<u>2,552</u>
At balance sheet date	<u><b>89,356</b></u>	<u><b>71,650</b></u>

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred tax liabilities:

	Accelerated tax depreciation allowances		Revaluation of properties		Total	
	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
At beginning of year	4,759	1,459	70,580	66,856	75,339	68,315
Exchange differences	–	217	–	566	–	783
Charged to the income statement	–	<u>3,083</u>	<u>17,706</u>	<u>3,158</u>	<u>17,706</u>	<u>6,241</u>
At balance sheet date	<u><b>4,759</b></u>	<u><b>4,759</b></u>	<u><b>88,286</b></u>	<u><b>70,580</b></u>	<u><b>93,045</b></u>	<u><b>75,339</b></u>

### Deferred tax assets:

	Revaluation of properties		Tax losses		Total	
	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
At beginning of year	350	–	3,339	–	3,689	–
Credited to the income statement	–	<u>350</u>	–	<u>3,339</u>	–	<u>3,689</u>
At balance sheet date	<u><b>350</b></u>	<u><b>350</b></u>	<u><b>3,339</b></u>	<u><b>3,339</b></u>	<u><b>3,689</b></u>	<u><b>3,689</b></u>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of HK\$11,888,000 (2006: HK\$11,888,000) in respect of losses amounting to HK\$60,888,000 (2006: HK\$60,888,000) that can be carried forward against future taxable income. Losses amounting to HK\$7,455,000 (2006: HK\$7,455,000) will expire from 2007 to 2012 and losses amounting to HK\$53,432,000 (2006: HK\$53,432,000) have no expiry date.

## 16 SHARE CAPITAL

	<b>30 June 2007 Unaudited</b>	31 December 2006 Audited
Authorised 500,000,000 (2006: 500,000,000) ordinary shares of HK\$0.2 each	<b><u>HK\$100,000,000</u></b>	<u>HK\$100,000,000</u>
Issued and fully paid 261,684,910 (2006: 261,684,910) ordinary shares of HK\$0.2 each	<b><u>HK\$52,336,982</u></b>	<u>HK\$52,336,982</u>

## 17 RELATED PARTIES TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in the interim financial report, the Group had the following transactions with related parties:

Related party relationship	Nature of transaction	Unaudited six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Key management personnel, including directors	Salaries and other short-term employee benefits	<b><u>3,646</u></b>	<u>3,291</u>
An associate	Interest income on loan to and amount due from the associate	<b><u>230</u></b>	<u>2,340</u>

## 18 CAPITAL COMMITMENTS

	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
Capital commitments relating to acquisition of property, plant and equipment, investment properties and properties held for sale: Contracted but not provided for	<b><u>–</u></b>	<u>1,066</u>
Future aggregate minimum lease payments and receipts under non-cancellable operating leases in respect of land and buildings and investment properties are as follows:		
As lessees:		
Rental payments		
– Not later than one year	<b>1,296</b>	276
– Later than one year and not later then five years	<b><u>972</u></b>	<u>–</u>
	<b><u>2,268</u></b>	<u>276</u>
As lessors:		
Rental receipts		
– Not later than one year	<b>25,756</b>	22,878
– Later than one year and not later then five years	<b>70,462</b>	41,994
– later than five years	<b><u>47,439</u></b>	<u>15,122</u>
	<b><u>143,657</u></b>	<u>79,994</u>



## 19 CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements are as follows:

	<b>30 June 2007 HK\$'000 Unaudited</b>	31 December 2006 HK\$'000 Audited
Guarantees for banking facilities utilised by:		
– an associate	<u><b>10,845</b></u>	<u>11,068</u>

Management anticipate that no material liabilities will arise from the above bank guarantees.

## 20 EVENTS AFTER BALANCE SHEET DATE

As announced by the Company, on 25 July 2007, the Company entered into a provisional agreement for sale of an investment property located in Shop 3 on Ground Floor, Wah On Building, No. 47 Mut Wah Street, Kwun Tong, Kowloon, Hong Kong at a consideration of HK\$24,600,000. The carrying amount of the property as at 30 June 2007 was HK\$26,500,000 (31 December 2006: HK\$26,500,000).

In addition, on 3 September 2007, the Company entered into another provisional agreement for sale of an investment property located in Shop B on Ground Floor, Mercantile House, No. 186A Nathan Road, Tsimshatsui, Kowloon, Hong Kong at a consideration of HK\$34,300,000. The carrying amount of the property as at 30 June 2007 was HK\$26,800,000 (31 December 2006: HK\$24,800,000).

## 21 COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current period's presentation.