



GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 0141)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the “Board”) of Great China Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2007 together with the comparative figures for the corresponding last year. The Group’s consolidated financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee of the Company.

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in this announcement have been agreed by the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000 (Restated)
Revenue	3	1,395,161	1,459,948
Cost of sales		<u>(1,348,685)</u>	<u>(1,259,419)</u>
Gross profit		46,476	200,529
Other income	4	11,057	9,212
Increase in fair value / gain on disposal of investment properties		98,850	22,176
Impairment of goodwill		(19,308)	–
Distribution costs		(83,333)	(124,064)
Administrative expenses		(30,163)	(30,505)
Finance costs	5	(15,960)	(12,242)
Share of results of associates		<u>26,770</u>	<u>663</u>
Profit before taxation	6	34,389	65,769
Income tax expense	7	<u>(4,549)</u>	<u>(3,326)</u>
Profit for the year		<u><u>29,840</u></u>	<u><u>62,443</u></u>
Dividends	8	<u><u>5,234</u></u>	<u><u>5,234</u></u>
Earnings per share – Basic	9	<u><u>HK 11.40 cents</u></u>	<u><u>HK 23.86 cents</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000 (Restated)
Non-current assets			
Goodwill		3,000	22,308
Investment properties		661,521	601,163
Property, plant and equipment		6,382	11,561
Prepaid lease payments		503	10,824
Deposit paid on acquisition of leasehold land and buildings		4,466	–
Interests in associates		93,098	50,715
Loan to an associate		21,464	12,019
Available-for-sale financial assets		4,101	2,274
		794,535	710,864
Current assets			
Properties held for sale		29,764	41,945
Inventories		90,224	121,625
Prepaid lease payments		5	16
Trade and other receivables	<i>10</i>	183,632	125,296
Amount due from an associate		44,003	42,758
Financial assets at fair value through profit or loss		–	75
Held-to-maturity financial assets		–	3,900
Bank balances and cash		70,778	57,715
Pledged bank deposit		8,602	–
		427,008	393,330
Asset classified as held for sale		14,881	–
		441,889	393,330
Current liabilities			
Trade and bills payables	<i>11</i>	159,318	120,229
Other payables and accrued expenses		69,568	137,737
Rental deposits received		6,510	5,370
Borrowings		158,871	54,334
Taxation payable		1,215	1,496
		395,482	319,166
Net current assets		46,407	74,164
Total assets less current liabilities		840,942	785,028

CONSOLIDATED BALANCE SHEET – continued*At 31 December 2007*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
Non-current liabilities		
Borrowings	134,435	145,625
Deferred tax liabilities	<u>81,322</u>	<u>75,780</u>
	<u>215,757</u>	<u>221,405</u>
	<u>625,185</u>	<u>563,623</u>
Capital and reserves		
Share capital	52,337	52,337
Reserves	<u>572,848</u>	<u>511,286</u>
Total equity	<u>625,185</u>	<u>563,623</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000 (Restated)	Investment revaluation reserve HK\$'000	Retained profits HK\$'000 (Restated)	Total HK\$'000
At 1 January 2006						
– as originally stated	52,337	19,516	4,061	(1,976)	425,327	499,265
– prior year adjustments (<i>Note</i>)	–	–	–	–	(3,480)	(3,480)
– as restated	52,337	19,516	4,061	(1,976)	421,847	495,785
Exchange difference not recognised in the consolidated income statement	–	–	9,249	–	–	9,249
Gain on fair value changes of available-for-sale financial assets	–	–	–	1,380	–	1,380
Net income recognised directly in equity	–	–	9,249	1,380	–	10,629
Profit for the year	–	–	–	–	62,443	62,443
Total recognised income for the year	–	–	9,249	1,380	62,443	73,072
Dividend paid	–	–	–	–	(5,234)	(5,234)
At 31 December 2006	<u>52,337</u>	<u>19,516</u>	<u>13,310</u>	<u>(596)</u>	<u>479,056</u>	<u>563,623</u>
Exchange difference not recognised in the consolidated income statement	–	–	35,129	–	–	35,129
Gain on fair value changes of available-for-sale financial assets	–	–	–	1,827	–	1,827
Net income recognised directly in equity	–	–	35,129	1,827	–	36,956
Profit for the year	–	–	–	–	29,840	29,840
Total recognised income for the year	–	–	35,129	1,827	29,840	66,796
Dividend paid	–	–	–	–	(5,234)	(5,234)
At 31 December 2007	<u>52,337</u>	<u>19,516</u>	<u>48,439</u>	<u>1,231</u>	<u>503,662</u>	<u>625,185</u>

Note: Details of prior year adjustments are set out in note 1 to the consolidated income statement and balance sheet.

NOTES TO THE CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

31 December 2007

1. PRIOR YEAR ADJUSTMENTS

In previous years, deferred tax liabilities were not recognised for certain investment properties in the Peoples' Republic of China as these properties were subject to withholding tax only. Deferred tax liabilities should be recognised as such withholding tax includes foreign enterprise income tax. As a result, deferred tax liabilities in respect of revaluation of investment properties amounting to HK\$3,480,000 were understated as at 31 December 2005. In addition, deferred tax charge in respect of revaluation of investment properties amounting to HK\$503,000 for the year ended 31 December 2006 was understated and exchange reserve as at 31 December 2006 was overstated by HK\$147,000. Against these circumstances, prior year adjustments have been made to recognise such deferred tax liabilities and record the corresponding deferred tax charge and exchange difference in prior periods. Accordingly, the carrying value of deferred tax liabilities as at 31 December 2005 and retained profits as at 31 December 2005 have been increased by HK\$3,480,000 and decreased by HK\$3,480,000, respectively. Profit for the year ended 31 December 2006 has been decreased by HK\$503,000 and exchange reserve as at 31 December 2006 has been decreased by HK\$147,000.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has resulted in the following areas:

- The impact of application of HKFRS 7 "Financial Instruments: Disclosures" has been to expand the disclosures provided in the financial statements regarding the Group's financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) "Capital Disclosures" has been to disclose information regarding its objectives, policies and processes for managing capital.

The application of the remaining new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Group are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ³
HK(IFRIC) – Int 12	Service Concession Arrangements ⁴
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 March 2007

⁴ Effective for annual periods beginning on or after 1 January 2008

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

3. SEGMENT INFORMATION

Business segments

For management purpose, the Group is currently organised into two divisions – animal feed trading and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

Analysis of sales by category is as follows:

	2007 HK\$'000	2006 HK\$'000
Sales		
Sales of goods	1,349,922	1,419,826
Sales of properties	17,354	12,360
Rental income from investment properties	25,417	25,468
Agency fee income	2,468	2,294
	<u>1,395,161</u>	<u>1,459,948</u>

3. SEGMENT INFORMATION – continued

Business segments – continued

Segment information about these business is presented below:

2007

	Animal feed trading HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	<u>1,349,922</u>	<u>45,239</u>	<u>1,395,161</u>
RESULT			
Segment result	<u>(67,656)</u>	<u>121,706</u>	54,050
Impairment of goodwill	(19,308)		(19,308)
Unallocated corporate expenses			(11,163)
Finance costs			(15,960)
Share of results of associates		26,770	<u>26,770</u>
Profit before taxation			34,389
Income tax expense			<u>(4,549)</u>
Profit for the year			<u><u>29,840</u></u>

CONSOLIDATED BALANCE SHEET

	Animal feed trading HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	311,596	722,201	1,033,797
Interests in associates	–	93,098	93,098
Loan to an associate	–	21,464	21,464
Amount due from an associate	–	44,003	44,003
Unallocated corporate assets			<u>44,062</u>
Consolidated total assets			<u><u>1,236,424</u></u>
LIABILITIES			
Segment liabilities	94,915	109,235	204,150
Unallocated corporate liabilities			<u>407,089</u>
Consolidated total liabilities			<u><u>611,239</u></u>

3. SEGMENT INFORMATION – continued

Business segments – continued

2006

	Animal feed trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
REVENUE			
External sales	<u>1,419,826</u>	<u>40,122</u>	<u>1,459,948</u>
RESULT			
Segment result	<u>38,139</u>	<u>40,940</u>	79,079
Unallocated corporate expenses			(1,731)
Finance costs			(12,242)
Share of results of associates		663	<u>663</u>
Profit before taxation			65,769
Income tax expense			<u>(3,326)</u>
Profit for the year			<u>62,443</u>

CONSOLIDATED BALANCE SHEET

	Animal feed trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
ASSETS			
Segment assets	317,370	658,329	975,699
Interests in associates	–	50,715	50,715
Loan to an associate	–	12,019	12,019
Amount due from an associate	–	42,758	42,758
Unallocated corporate assets			<u>23,003</u>
Consolidated total assets			<u>1,104,194</u>
LIABILITIES			
Segment liabilities	231,566	132,413	363,979
Unallocated corporate liabilities			<u>176,592</u>
Consolidated total liabilities			<u>540,571</u>

3. SEGMENT INFORMATION – continued

Geographical segments

The Group's operations are located in Hong Kong and Mainland China.

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

	Sales revenue by geographical market	
	2007 HK\$'000	2006 HK\$'000
Hong Kong	16,318	14,346
Other regions in the People's Republic of China (the "PRC")	1,326,596	1,407,176
Others	52,247	38,426
	<u>1,395,161</u>	<u>1,459,948</u>

The following is an analysis of the carrying amount of segment assets, additions to goodwill, additions to investment properties, additions to prepaid lease payments and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

2007

	Carrying amount of segment assets HK\$'000	Additions to property plant and equipment HK\$'000
Hong Kong	413,927	145
Other regions in the PRC	822,356	574
Others	141	–
	<u>1,236,424</u>	<u>719</u>

2006

	Carrying amount of segment assets HK\$'000	Additions to goodwill HK\$'000	Additions to investment properties HK\$'000	Additions to property, plant and equipment HK\$'000
Hong Kong	439,930	–	–	1,588
Other regions in the PRC	664,145	22,308	93	53
Others	119	–	–	–
	<u>1,104,194</u>	<u>22,308</u>	<u>93</u>	<u>1,641</u>

4. OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank interest income	5,547	5,958
Exchange gain, net	–	982
Gain on fair value change of financial assets at fair value through profit or loss	402	205
Sundry income	<u>5,108</u>	<u>2,067</u>
	<u>11,057</u>	<u>9,212</u>

5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest bank loans and overdrafts on:		
– wholly repayable within 5 years	9,263	4,394
– not wholly repayable within 5 years	<u>6,697</u>	<u>7,848</u>
	<u>15,960</u>	<u>12,242</u>

6. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts	2,436	2,920
Allowance for inventories	364	11,035
Auditors' remuneration	1,253	900
Depreciation of property, plant and equipment	1,379	1,035
Amortisation of prepaid lease payments	16	16
Amortisation of prepaid lease payments included in properties held for sale	–	78
Impairment of properties held for sale	–	1,074
Loss on disposal of property, plant and equipment	57	91
Share of taxation of an associate	3,218	767
Staff costs including directors' emoluments	16,441	18,733
Cost of inventories recognised as an expense	1,344,796	1,234,213
Exchange loss, net	1,663	–
and after crediting:		
Gross rental income from investment properties	25,262	25,006
Less: Outgoings	<u>(3,575)</u>	<u>(3,193)</u>
Net rental income from investment properties	<u><u>21,687</u></u>	<u><u>21,813</u></u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$1,391,000 (2006: HK\$1,165,000) are included in staff costs.

7. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	37	270
Overprovision in prior years	<u>(563)</u>	<u>–</u>
	(526)	270
Other jurisdictions – current year	<u>1,127</u>	<u>–</u>
	601	270
Deferred tax liabilities		
Current year	4,538	3,056
Effect of charge in tax rate	<u>(590)</u>	<u>–</u>
Taxation attributable to the Group	<u><u>4,549</u></u>	<u><u>3,326</u></u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both years.

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

8. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend paid for 2007 of HK\$0.01 (2006: HK\$0.01) per ordinary share	2,617	2,617
Final dividend paid for 2006 of HK\$0.01 (2005: HK\$0.01) per ordinary share	<u>2,617</u>	<u>2,617</u>
	<u><u>5,234</u></u>	<u><u>5,234</u></u>

The dividends paid in 2007 and 2006 were both HK\$5,234,000 (HK\$0.02 per share). A final dividend in respect of the year ended 31 December 2007 of HK\$0.01 per ordinary share, amounting to a total dividend of HK\$2,617,000, is to be proposed at the Annual General Meeting on 23 May 2008. The consolidated balance sheet does not reflect this dividend payable.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the Company	<u>29,840</u>	<u>62,443</u>
	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>261,684,910</u>	<u>261,684,910</u>

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

10. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade and bills receivable	160,076	103,083
Less: allowance for doubtful debts	<u>(4,325)</u>	<u>(1,889)</u>
	155,751	101,194
Prepayments and deposits	25,334	22,670
Other receivables	<u>2,547</u>	<u>1,432</u>
Trade and other receivables	<u>183,632</u>	<u>125,296</u>

The Group allows a credit period ranging from 30 to 90 days to its customers in respect of animal feed trading. No interest is charged on the trade receivables. The Group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable. Trade receivables over 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

At 31 December 2007 and 2006, the ageing analysis of the trade and bills receivables was as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Less than 30 days	151,789	94,973
30-60 days	614	–
61-90 days	4	–
Over 90 days	<u>3,344</u>	<u>6,221</u>
	<u>155,751</u>	<u>101,194</u>

11. TRADE AND BILLS PAYABLES

At 31 December 2007 and 2006, the ageing analysis of the trade and bills payables was as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Less than 30 days	158,737	119,793
30-60 days	–	14
Over 60 days	581	422
	<u>159,318</u>	<u>120,229</u>

12. COMMITMENTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Capital commitments, Contracted for but not provided:		
Acquisition of property, plant and equipment	38,325	1,066
Capital contribution to a subsidiary	1,170	–
	<u>39,495</u>	<u>1,066</u>

BUSINESS REVIEW

The Group's turnover for the year ended 31 December 2007 was approximately HK\$1,395 million while that of 2006 was approximately HK\$1,460 million. Profit for the year was approximately HK\$29.8 million (2006: HK\$62.4 million (restated)), representing a drop of around 52% from that of 2006.

Animal Feed Trading

During the year, the performance of general trading operations was disappointing. This was mainly due to the unfavourable fishmeal market conditions. The gross profit margin from general trading operations was only 1% in 2007, as compared with that of 12% in 2006.

Fishmeal Products

Demand for fishmeal in Mainland China increased tremendously from the first quarter of 2006 and continued until the end of the third quarter. Due to the rising demand and limited supply worldwide, prices of fishmeal from various supply origins, in particular from Peru rocketed from the second quarter of 2006 and remained at high level until the first quarter of 2007.

In response to the exorbitant fishmeal costs movement, end consumers in Mainland China reacted by looking for cheaper fishmeal products from other supply origins and decreasing the consumption of fishmeal products in their feed formula. Furthermore, the outbreak of a serious and uncertain pig's disease in early 2007 resulted in a significant loss of swine farmers, which consequently reduced the consumption of fishmeal products. As fishmeal products are mainly consumed by the swine and aquatic industries in Mainland China, the unexpected outbreak of pig's disease caused a dramatic drop in the consumption of fishmeal products, which in turn suppressed the fishmeal selling prices during the normal high season in China's market.

The dramatic decrease in consumption of fishmeal products obviously caused the accumulation of fishmeal inventories at various major Chinese ports during the normal high fishmeal consumption season (i.e., from May to September), and this resulted in drastic downward price adjustment for fishmeal products from Peru. Indeed, the fishmeal prices dropped as much as 25% in this period, which then stabilized at a strong support level in the last quarter.

It is necessary for the Group's fishmeal distribution channels in Mainland China to maintain a reasonable level of inventories to ensure consistent supply to end consumers throughout the year and accordingly the Group had to enter into various contracts with fishmeal suppliers in Peru at relatively high price.

With the tremendous volatility of the market conditions in 2007, the Group's local sales agents that distribute fishmeal products to end consumers in the Mainland China market could not react quickly enough to the drastic drop in demand and decrease in price. They were unable to adjust their marketing strategies quickly enough to deal with fierce sales competition in the Mainland China market. Past experience indicated that when prices start to decline, the immediate reaction of most end consumers is to adopt a "wait and see" attitude. This situation forced the Group to dispose of most of its inventories at market prevailing prices and resulting in a loss.

When fishmeal prices in Mainland China reached a supported level during the last quarter of 2007, the Group's sales volume of fishmeal products bounced back, then enabling the Group to achieve sale volume of fishmeal in 2007 at the same level comparable to that of 2006. The fishmeal selling prices in the Mainland China have been gradually increasing since then.

The performance of fishmeal business in current year was disappointing and the future of this business is likely to be volatile. The directors considered prudently to make a provision for impairment loss of goodwill which arose from the acquisition of a subsidiary operating fishmeal business of around HK\$19.3 million in current financial year.

Tapioca Products

Rising world demand for tapioca products mainly from Thailand and Vietnam had led to increase in price of tapioca chips by nearly 35% during the year. Nevertheless, due to the bearish sentiment of the alcohol market in Mainland China caused by over-supply of alcohol products, the alcohol factories could not afford to pay for the products imported from Thailand and Vietnam at the increased market price. Under such unfavorable market condition, the tapioca business could not contribute profit to the Group .

Property Investment in Hong Kong

During the year, the Group sold two units of retail shops in Kwun Tong and in Tsim Sha Tsui with attributable profits on disposal of properties of approximately HK\$7.6 million. The Group also successfully renewed the tenancy agreements of some of its existing investment properties at market rates in 2007.

The Group acquired a new office unit located at Unit D, 26/F., United Centre, No. 95 Queensway, Hong Kong at a cost of approximately HK\$42.5 million. Such property was subsequently valued at HK\$55 million by an independent valuer at the balance sheet date.

By the end of the current financial year, the Group has entered into a sales and purchase agreement to sell its existing office unit at 6th Floor, 9 Des Voeux Road West, Hong Kong at a consideration of approximately HK\$36.5 million, resulting in a gain of approximately HK\$21.6 million, to be recognized in 2008.

In line with the upward trend of the Hong Kong property market in 2007, our investment properties located at prime locations recorded a gain before tax of around HK\$20 million (2006: HK\$22 million) from appreciation in values.

The share of profit of associates of around HK\$26.7 million included the attributable share of fair value gain on investment properties owned by associates of around HK\$28.8 million.

Property Investment in Mainland China

The Group seized the opportunity of the upward trend of residential property prices in Shanghai in the fourth quarter of 2007 to sell its residential properties at favourable prices. At the balance sheet date, the Group has successfully sold 5 units of the upper floor of Merry Tower apartments located at Jingan District in Shanghai, resulted in a gain on disposal of residential properties of around HK\$4 million.

In 2006, the Group had converted the use of one investment property located at Chang Ning District, Shanghai from service apartments to commercial property. Renovation work on that property was completed in April 2007 and the property was leased out to a new tenant in May 2007. Such commercial properties have generated additional monthly rental income of RMB460,000 since then.

At the balance sheet date, there was a gain of around HK\$71 million from revaluation of investment properties in Mainland China. A substantial portion of the fair value gain was attributable to the property located at Chang Ning District, which were converted into commercial use and resulted in significant appreciation in value as mentioned above.

PROSPECTS

Animal Feed Trading

During the year, the Group successfully cleared all fishmeal inventories imported from Peru at relatively high price levels. The inventories at the balance sheet date were purchased in the second half of 2007 at a cost lower than current market selling prices of fishmeal products in the Mainland China market.

Among the animal proteins, fishmeal is one of the best protein sources. Both the Mainland China and Europe use large quantities of fishmeal in various important industries and there is no substitution for fishmeal presently. However, fishmeal trading is a commodity trading business subject to the risk of unexpected fluctuation in market price caused by various factors affecting supply and demand worldwide. In 2007, both the Group and most of the fishmeal traders in the Mainland China market incurred a loss in the fishmeal business. Hence, our Management has seriously reviewed the factors affecting external market conditions and internal operations, and has introduced various marketing strategies for the year 2008 to control risk and at the same time to achieve better performance.

In 2008, the Group's Risk Management Committee in the Trading Division has laid down a financial policy on the maximum level of inventories throughout the year in order to minimize the potential risk arising from a possible significant drop in prices of fishmeal products. Besides, the Management has already adopted a flexible marketing strategy to shorten the inventory turnover period.

Furthermore, our trading team is committed to developing additional sales channels in Mainland China and to gaining direct access to the most updated fishmeal market information from end consumers in order to adjust our marketing strategies and inventory position in accordance with changes in the fishmeal market conditions in a timely manner.

On the other hand, according to current world grain prices, the Group believes that tapioca prices will remain at a relatively high level. Therefore, the Group's Risk Management Committee has decided to keep inventory at a low level and focus on controlling freight cost. Moreover, taking advantage of RMB appreciation, the Group is considering the possibility of extending the tapioca business into the local sales markets in Mainland China on a cash-on-delivery basis in 2008.

Property Investment

Due to inflation, lower interest rates and limited new supply of both residential and commercial properties, property prices in Hong Kong have increased substantially since the second half of 2007. The Group has seized the opportunity to acquire, at a relatively low price, office premises situated at United Centre, Queensway ahead of the upward trend in pricing of office premises in the prime commercial district. The Group will relocate its head office and registered office to the address of the foregoing newly acquired office premises in the near future. The Group will consider any opportunities to expand into the property market in Hong Kong.

The central government in the PRC has adopted an austerity policy to control the overheating of the Mainland China economy and to suppress the rocketing rise in property prices in Mainland China. However, it is widely believed that the RMB will continue to appreciate in the foreseeable future which will provide firm support for property prices in Shanghai. We believe that property prices in Mainland China, after price correction in the near future, will remain stable. The Group will continue to hold or to acquire investment properties in Shanghai for their long-term return.

FINANCIAL REVIEW AND ANALYSIS

As at 31 December 2007, the Group's gearing ratio was 21% (2006: 26%), based on the Group's long term bank borrowings of HK\$134 million (2006: HK\$146 million) and shareholders' equity of HK\$625 million (2006: HK\$564 million). As at 31 December 2007, total bank balances and cash on hand were HK\$79 million (2006: HK\$57 million).

As at 31 December 2007, the total bank borrowings of the Group amounted to HK\$293 million (2006: HK\$200 million) and the maturity profile of the Group's bank borrowings falling due within one year was 49% and more than one year was 51%. The total bank borrowings included secured bank loan HK\$163 million (2006: HK\$190 million), trust receipt loan HK\$90 million (2006: HK\$ Nil), discounted bills with recourse HK\$40 million (2006: HK\$5 million) and bank overdraft: HK\$ Nil (2006: HK\$5 million). The Group's borrowings were denominated in HK dollars, US dollars and RMB.

As at 31 December 2007, the Group has available but not yet utilized banking facilities amounting to approximately HK\$465 million (2006: HK\$317 million). The aforesaid facilities were secured by the following pledged assets approximately: certain prepaid lease payment with aggregate book value of HK\$0.2 million (2006: HK\$10.5 million), assets classified as held for sale of HK\$14.9 million (2006: HK\$ Nil), property, plant and equipment of HK\$1.2 million (2006: HK\$6.0 million), properties held for sale of HK\$27 million (2006: HK\$39 million) and investment properties of HK\$651 million (2006: HK\$580 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2007, the total number of employees of the Group was 95 (2006: 118) with staff costs amounting to HK\$9,298,000 (2006: HK\$10,607,000). Remuneration policies are reviewed annually by the Management. Remuneration packages are structured to take into account the comparable level of the market.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK1 cent per ordinary share for the year ended 31 December 2007 to shareholders whose names appear on the Company's Register of Members on Friday, 23 May 2008 (the "Proposed Final Dividend"). Subject to the approval of the Company's shareholders at the Company's forthcoming Annual General Meeting to be held on Friday, 23 May 2008, the Proposed Final Dividend will be paid to the Company's shareholders on or around Friday, 13 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 May 2008 to Friday, 23 May 2008, both days inclusive, during which period no share transfer will be effected. In order to qualify for entitlement to the Proposed Final Dividend and for attending and voting at the forthcoming Annual General Meeting of the Company, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's 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, 20 May 2008.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the year ended 31 December 2007.

A full description of the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's Annual Report for the year ended 31 December 2007.

APPRECIATION

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

On behalf of the Board

John Ming Tak HO

Managing Director

Hong Kong, 28 March 2008

The directors of the Company as at the date of this announcement are: Mr Rustom Ming Yu HO (Chairman), Mr John Ming Tak HO (Managing Director) and Mr Patrick Kwok Wai POON as Executive Directors; and Mr Lawrence Kam Kee YU BBS MBE JP, Mr David Hon To YU and Mr Hsu Chou WU as Independent Non-executive Directors.