GREAT CHINA

GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 0141

ANNUAL REPORT 2007

Contents

Corporate Information

Directors

Executive Directors
Mr Rustom Ming Yu HO *(Chairman)*
Mr John Ming Tak HO *(Managing Director)*
Mr Patrick Kwok Wai POON

Non-Executive Director
Ms Daphne HO

Independent Non-Executive Directors
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Company Secretary & Qualified Accountant

Mr Andy Kam Kee WONG

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Share Registrars

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

Unit D, 26/F, United Centre
No. 95 Queensway
Hong Kong

Audit Committee

Mr David Hon To YU *(Chairman)*
Mr Lawrence Kam Kee YU
Mr Hsu Chou WU

Nomination Committee

Mr John Ming Tak HO *(Chairman)*
Mr Rustom Ming Yu HO
Mr Patrick Kwok Wai POON
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Remuneration Committee

Mr Lawrence Kam Kee YU *(Chairman)*
Mr John Ming Tak HO
Mr David Hon To YU

Stock Code

0141

Website

www.greatchinaholdingsltd.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at Boardroom, The Dynasty Club, 7F, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 23 May 2008 at 10:30 am. A circular containing details of the matters proposed to be dealt with in the aforesaid Annual General Meeting together with other relevant information is sent with this Annual Report to all registered shareholders of the Company.

By order of the Board
Andy Kam Kee WONG
Company Secretary

Hong Kong, 28 March 2008

Statement from the Managing Director

Statement From The Managing Director

I am pleased to submit my report on the performance of Great China Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

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.

Statement from the Managing Director

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.

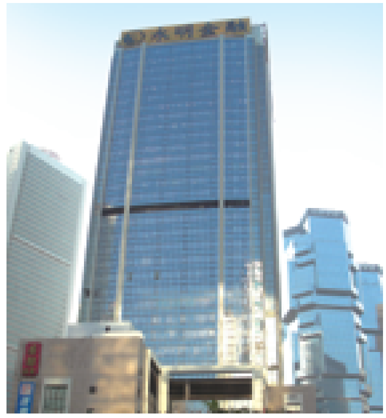
The performance of fishmeal business in current year was disappointing and the future of this business is likely to be volatile. The directors considered prudently to make a provision for impairment loss of goodwill which arose from the acquisition of a subsidiary operating fishmeal business of around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

Statement from the Managing Director

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.

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, Shanghai, which were converted into commercial use and resulted in significant appreciation in value as mentioned above.

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

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.

Statement from the Managing Director

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.

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.

John Ming Tak HO
Managing Director

Hong Kong, 28 March 2008

Management Discussion and Analysis

Management Discussion and Analysis

Operation Review

The Group's turnover decreased by 4.5% as compared with that of last year mainly attributable to the decrease in the turnover of animal feed trading division by 5% in 2007. The rental income generated in 2007 remained stable with that of last year.

Due to unfavourable fishmeal market condition, the segmental result of animal feed trading division in current year recorded a loss of HK$67.6 million (2006: a profit of HK$38.1 million). On the other hand, in line with the upward trend of both the Hong Kong and Mainland China property market, the segmental result of property investment division in 2007 recorded a profit of HK$121.7 million (2006: HK$40.9 million). As a result, the Group's profit for the year decreased from HK$62.4 million in 2006 to HK$29.8 million in 2007.

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 54% and more than one year was 46%. 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 receivables with full 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.

Pledge of Assets

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$9,261,000 (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.

Directors and Senior Management

Biographical Details Of Directors And Senior Management

Mr Rustom Ming Yu HO, aged 56, is the Chairman and an executive director of the Company. Mr Rustom Ho joined the Group in January 1992. He has held senior management positions in the textiles industry for over 30 years. In addition, Mr Rustom Ho is the chairman of Kwong Fong Industries Corporation, the controlling shareholder of the Company, and is the elder brother of Mr John Ming Tak Ho (executive director) and the father of Ms Daphne Ho (non-executive director).

Mr John Ming Tak HO, aged 54, is the Managing Director and an executive director of the Company. He is also a director of various subsidiaries of the Company. Mr John Ho joined the Group in November 1991. He has over 30 years of experience in commodities trading and dealing in securities. In addition, Mr John Ho is a director of Kwong Fong Industries Corporation, the controlling shareholder of the Company, and is the younger brother of Mr Rustom Ming Yu Ho (executive director) and the uncle of Ms Daphne Ho (non-executive director).

Mr Patrick Kwok Wai POON, aged 57, has been an executive director of the Company since 20 April 2006. Mr Poon joined the Group in 1997 and has since then been working at a senior level of the Group's management team. He is also a director of certain subsidiaries of the Company. Mr Poon has extensive experience in the commodity market and in the banking business. He has been overseeing the Group's Shanghai office and monitoring the Group's property business in the People's Republic of China for over 10 years. Mr Poon currently holds a practising licence in property management in the People's Republic of China.

Ms Daphne HO, aged 36, was appointed as a non-executive director of the Company on 1 April 2008. She holds a Bachelor of Science degree in Marketing and Advertising from Boston College and a Masters of Business Administration in Managing Technology and Innovation from Santa Clara University. With extensive experience in strategic marketing and business strategy formulation, she is currently assisting a number of start-ups and small businesses as a private consultant. In the past, Ms Ho has served as key business development roles at several publicly listed companies and was an International Marketing Manager of Kwong Fong Industries Corporation, a controlling shareholder of the Company. In addition, Ms Ho is a daughter of Mr Rustom Ming Yu Ho (executive director) and a niece of Mr John Ming Tak Ho (executive director).

Mr Lawrence Kam Kee YU, *BBS, MBE, JP*, aged 62, has been an independent non-executive director of the Company since November 1994. Mr Lawrence Yu is currently the chairman of See Corporation Limited, non-executive chairman of Trasy Gold Ex Limited and a senior advisor of China Renji Medical Group Limited. All the above three companies are listed on the Stock Exchange of Hong Kong Limited. Mr Lawrence Yu has accumulated many years of senior management experience. He also serves on many charitable and social organizations, and is currently the co-chairman of the Campaign Committee of The Community Chest of Hong Kong, director of the Hong Kong Football Association Limited, governor of the Hong Kong Automobile Association and the chairman of the Campaign Committee of The Road Safety Council.

Directors and Senior Management

Mr David Hon To YU, aged 60, was appointed as an independent non-executive director of the Company on 7 January 1999. Mr Yu is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr Yu is a founder and director of MCL Capital Limited, which specializes in direct investment and financial advisory activities. Currently, Mr Yu is also an independent non-executive director of Haier Electronics Group Co., Ltd., Hantec Investment Holdings Limited, J. I. C. Technology Company Limited, Ming Pao Enterprise Corporation Limited, One Media Group Limited, Playmates Holdings Limited, TeleEye Holdings Limited and VXL Capital Limited, all of which are listed on the Stock Exchange of Hong Kong Limited.

Mr Hsu Chou WU, aged 53, has been as an independent non-executive director of the Company since September 2004. Mr Wu is a member of the Taipei Bar Association. He is currently the chairman of the Eurasia Law Office in Taipei. He is also a committee member of the Taipei County Construction and Building Commission, a committee member of the Taipei County Consumption Dispute Accommodation Commission, a committee member of the Law and Regulation Commission of the Ministry of Interior in Taiwan, and a legal consultant of the National Police Agency of the Ministry of Interior in Taiwan. Mr Wu is the author of the book "Far Away From Medical Dispute".

Mr Andy Kam Kee WONG, aged 43, is the Chief Operating Officer and Chief Financial Officer of the Group, the qualified accountant and company secretary of the Company, and director of various subsidiaries of the Company. He joined the Group in 2007 and is responsible for the management of the Group's trading and property operations and overseeing the Group's finance and accounting functions. Mr Wong is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr Wong holds a Master of Science Degree in Financial Management from the University of London. He was an audit executive of an international accounting firm and held senior finance positions in two listed public companies in Hong Kong.

Corporate Governance Report

The Board of Directors and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the review year.

DIRECTORS

The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders. During the year ended 31 December 2007, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of director	Number of attendance
Mr Rustom Ming Yu HO	3/4
Mr John Ming Tak HO	4/4
Mr Patrick Kwok Wai POON	4/4
Mr Lawrence Kam Kee YU	4/4
Mr David Hon To YU	4/4
Mr Hsu Chou WU	1/4

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is usually given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings will be sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Corporate Governance Report

Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr Rustom Ming Yu HO being the Chairman and Mr John Ming Tak HO On being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board. With the support of the Managing Director and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.

Board composition

As at 31 December 2007, the Board consists of three executive directors and three independent non-executive directors:

Executive directors:
Mr Rustom Ming Yu HO (Chairman)
Mr John Ming Tak HO (Managing Director)
Mr Patrick Kwok Wai POON

Independent non-executive directors:
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Subsequent to the year ended date, on 1 April 2008, Ms Daphne Ho was appointed as a non-executive director of the company.

More than one-third of the Board are independent non-executive directors and each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent. The relationship among members of the Board is disclosed in "Directors and Senior Management" of this annual report.

Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 11 to 12. The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group. Nomination Committee did not hold a meeting in 2007, as no new director was appointed during the year.

Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2007. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incident of non-compliance was noted by the Company in 2007.

Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting. The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr Lawrence Kam Kee YU and Mr John Ming Tak HO and Mr David Hon To YU are members. The majority members of committee are independent non-executive directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience for the industry, prevailing market conditions and the Company's performance. During the year ended 31 December 2007, the Remuneration Committee held one meeting, with all committee member present in the meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval. The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2007, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis. The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

Internal controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives. The Board periodically conducts review of the effectiveness of the system of internal controls, covering all material controls including financial, operational and compliance controls and risk management functions.

Audit Committee

The Audit Committee comprises the three independent non-executive directors. The Committee is chaired by Mr David Hon To YU who possesses recognized professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. During the year ended 31 December 2007 the Audit Committee held four meetings with attendance record as follows:

Name of member	Number of attendance
Mr David Hon To YU (Chairman)	4/4
Mr Lawrence Kam Kee YU	4/4
Mr Hsu Chou WU	1/4

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 December 2007 and the interim accounts for six months ended 30 June 2007, respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

Remuneration to the external auditors of the Company

The remuneration paid by the Company to its auditors, Deloitte Touche Tohmatsu, during the year amounted to HK$1,200,000, the whole of which was incurred exclusively for the audit services provided by Deloitte Touche Tohmatsu

DELEGATION BY THE BOARD

Management functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Board committees

Audit Committee and Remuneration Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting ("AGM"). The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations. To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

Voting by poll

The right to demand a poll was set out in the circular containing the notice of year 2007 AGM.

Directors' Report

The directors have pleasure in presenting to shareholders their report and the audited consolidated financial statements of the Company for the year ended 31 December 2007.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of animal feed (including fishmeal and tapioca chips) and property investment. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 26.

An interim dividend of HK1 cent per share amounting to HK$2,616,849 was paid to shareholders during the year. The directors recommended the payment of a final dividend of HK1 cent per share, amounting to HK$2,616,849, for the year to the shareholders of the Company whose names appear on the Register of Members on Friday, 23 May 2008.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity on page 29.

Movements in the reserves of the Company during the year are set out in note 33 to the consolidated financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the consolidated financial statements.

Major Properties

Details of the major properties of the Group at 31 December 2007 are set out on pages 84 and 85.

Subsidiaries and Associates

Details of the Company's subsidiaries and associates at 31 December 2007 are set out in notes 19 and 20 to the consolidated financial statements, respectively.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

Distributable Reserves of the Company

At 31 December 2007, the Company's reserves available for distribution, calculated under Section 79B of the Companies Ordinance, consisted of retained profits of approximately HK$64 million (2006: HK$68 million).

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.

Directors

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

Executive directors
Mr Rustom Ming Yu HO
Mr John Ming Tak HO
Mr Patrick Kwok Wai POON

Independent non-executive directors
Mr Lawrence Kam Kee YU
Mr David Hon To YU
Mr Hsu Chou WU

Subsequent to the date of this report, on 1 April 2008, Ms Daphne HO was appointed as a non-executive director of the Company.

In accordance with Article 104(A) of the Company's Articles of Association, Mr Patrick Kwok Wai POON and Mr David Hon To YU will retire as directors of the Company by rotation at the Company's forthcoming annual general meeting. In addition, pursuant to Article 95 of the Company's Articles of Association, Ms Daphne HO, the newly appointed director of the Company, will also retire at the said general meeting. All of the above three retiring directors, being eligible, will offer themselves for re-election at the meeting.

The Company has received annual confirmation of independence from each of the independent non-executive directors in respect of their independence pursuant to the requirement of Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all independent non-executive directors to be independent.

Directors' Service Contracts

No director proposed for re-election at the Company's forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

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

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

At 31 December 2007, the interests of the 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 ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in the shares of the Company

	Number of shares interested			Percentage of the issued share capital of the Company
Name of director	**Family interests**	**Corporate interests**	**Total interests**	
Mr Rustom Ming Yu HO	–	138,347,288 *(Note)*	138,347,288	52.87%
Mr John Ming Tak HO	600,000	138,347,288 *(Note)*	138,947,288	53.10%

Note:

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" below.

Save as disclosed above, as at 31 December 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 executives (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 31 December 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

	Number of shares interested			
Substantial Shareholder	**Direct interests**	**Deemed interests**	**Total**	**% of Issued share capital**
Fulcrest Limited	138,347,288	–	138,347,288	52.87
Asian Pacific Investment Corporation	–	138,347,288 *(Note)*	138,347,288	52.87
Kwong Fong Holdings Limited	710,000	138,347,288 *(Note)*	139,057,288	53.14
Kwong Fong Industries Corporation	8,680,000	139,057,288 *(Note)*	147,737,288	56.46
COFCO (Hong Kong) Limited	45,058,000	–	45,058,000	17.22

Note: 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 31 December 2007, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers And Suppliers

The Group's five largest trading operation customers accounted for approximately 52.96% (2006: 61.95%) of the Group's turnover for its trading operation for the year. Approximately 32.34% (2006: 18.30%) of the Group's turnover for its trading operation was attributable to the largest customer.

Approximately 52.67% (2006: 36.99%) of the Group's purchases for its trading operation were attributable to the five largest trading operation suppliers with the largest supplier accounted for approximately 13.88% (2006: 9.56%) of the purchases. Due to the nature of the Group's other operations, information on the Group's customers and suppliers for the Group's other operations are not provided as it is considered to be of limited value.

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

Corporate Governance

The Company has complied throughout the year ended 31 December 2007 with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix14 to the Listing Rules.

Emolument Policy

The emolument policy of the employees of the Group is formulated by the Remuneration Committee and approved by the Board based on the employees' merit, qualifications and competence.

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

During the year, PricewaterhouseCoopers retired at the Company's annual general meeting held on 18 May 2007 and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill the said vacancy. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

JOHN MING TAK HO
MANAGING DIRECTOR
28 March 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF GREAT CHINA HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Great China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 83, which comprise the consolidated and Company's balance sheets as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Revenue	5	**1,395,161**	1,459,948
Cost of sales		**(1,348,685)**	(1,259,419)
Gross profit		**46,476**	200,529
Other income	6	**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	7	**(15,960)**	(12,242)
Share of results of associates		**26,770**	663
Profit before taxation	8	**34,389**	65,769
Income tax expense	10	**(4,549)**	(3,326)
Profit for the year		**29,840**	62,443
Dividends	12	**5,234**	5,234
Earnings per share – Basic	13	**HK11.40 cents**	HK23.86 cents

Balance Sheets

At 31 December 2007

		THE GROUP		THE COMPANY	
		2007	2006	**2007**	2006
	NOTES	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000
Non-current assets					
Goodwill	14	**3,000**	22,308	**–**	–
Investment properties	15	**661,521**	601,163	**–**	–
Property, plant and equipment	16	**6,382**	11,561	**4**	1
Prepaid lease payments	17	**503**	10,824	**–**	–
Deposit paid on acquisition of leasehold land and buildings	18	**4,466**	–	**–**	–
Interests in subsidiaries	19	**–**	–	**49,883**	47,344
Interests in associates	20	**93,098**	50,715	**–**	–
Amounts due from subsidiaries	21	**–**	–	**285,921**	241,648
Loan to an associate	20	**21,464**	12,019	**21,464**	12,019
Available-for-sale financial assets	22	**4,101**	2,274	**–**	–
		794,535	710,864	**357,272**	301,012
Current assets					
Properties held for sale	23	**29,764**	41,945	**–**	–
Inventories	24	**90,224**	121,625	**–**	–
Prepaid lease payments	17	**5**	16	**–**	–
Trade and other receivables	25	**183,632**	125,296	**520**	441
Amounts due from subsidiaries	21	**–**	–	**152,008**	–
Amount due from an associate	20	**44,003**	42,758	**44,003**	42,758
Financial assets at fair value through profit or loss	26	**–**	75	**–**	–
Held-to-maturity financial assets	27	**–**	3,900	**–**	–
Bank balances and cash	28	**70,778**	57,715	**20,123**	875
Pledged bank deposit	28	**8,602**	–	**–**	–
		427,008	393,330	**216,654**	44,074
Asset classified as held for sale	29	**14,881**	–	**–**	–
		441,889	393,330	**216,654**	44,074

Balance Sheets

At 31 December 2007

		THE GROUP		THE COMPANY	
	NOTES	**2007** **HK$'000**	2006 HK$'000 (Restated)	**2007** **HK$'000**	2006 HK$'000
Current liabilities					
Trade and bills payables	30	**159,318**	120,229	**106,597**	74,073
Other payables and accrued expenses		**69,568**	137,737	**9,140**	1,697
Rental deposits received		**6,510**	5,370	**–**	–
Amounts due to subsidiaries	21	**–**	–	**168,742**	–
Borrowings	31	**158,871**	54,334	**88,829**	26,019
Taxation payable		**1,215**	1,496	**–**	–
		395,482	319,166	**373,308**	101,789
Net current assets (liabilities)		**46,407**	74,164	**(156,654)**	(57,715)
Total assets less current liabilities		**840,942**	785,028	**200,618**	243,297
Non-current liabilities					
Amounts due to subsidiaries	21	**–**	–	**–**	31,767
Borrowings	31	**134,435**	145,625	**65,181**	71,734
Deferred tax liabilities	34	**81,322**	75,780	**–**	–
		215,757	221,405	**65,181**	103,501
		625,185	563,623	**135,437**	139,796
Capital and reserves					
Share capital	32	**52,337**	52,337	**52,337**	52,337
Reserves	33	**572,848**	511,286	**83,100**	87,459
Total equity		**625,185**	563,623	**135,437**	139,796

The financial statements pages 26 to 83 were approved and authorised for issue by the board of directors on 28 March 2008 and are signed on its behalf by:

Director *Director*

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 (Restated)
At 1 January 2006						
– as originally stated	52,337	19,516	4,061	(1,976)	425,327	499,265
– prior year adjustments *(Note)*	–	–	–	–	(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	52,337	19,516	13,310	(596)	479,056	563,623
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	52,337	19,516	48,439	1,231	503,662	625,185

Note: Details of prior year adjustments are set out in note 2 to the consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007	2006
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**34,389**	65,769
Adjustments for:		
Finance costs	**15,960**	12,242
Share of results of associates	**(26,770)**	(663)
Allowance for doubtful debts	**2,436**	2,920
Allowance for inventories	**364**	11,035
Amortisation of prepaid lease payments	**16**	16
Amortisation of prepaid lease payments included in properties held for sale	**–**	78
Impairment of goodwill	**19,308**	–
Impairment of properties held for sale	**–**	1,074
Depreciation of property, plant and equipment	**1,379**	1,035
Interest income	**(5,547)**	(5,958)
Increase in fair value/gain on disposal of investment properties	**(98,850)**	(22,176)
Loss on disposal of property, plant and equipment	**57**	91
Operating cash flows before movements in working capital	**(57,258)**	65,463
Decrease (increase) in inventories	**31,172**	(86,452)
Decrease in properties held for sale	**10,587**	1,368
Increase in trade and other receivables	**(52,219)**	(29,298)
Decrease in financial assets at fair value through profit or loss	**75**	688
Increase in trade and bills payables	**34,895**	45,405
(Decrease) increase in other payables and accrued expenses	**(68,169)**	52,282
Increase in rental deposits received	**1,140**	781
Cash (used in) from operations	**(99,777)**	50,237
Hong Kong Profits Tax paid	**(56)**	–
Overseas tax paid	**(1,127)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(100,960)**	50,237

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Additions to investment properties	–	(93)
Deposit paid on acquisition of leasehold land and buildings	(4,466)	–
Purchase of property, plant and equipment	(719)	(1,641)
Purchase of additional interest in a subsidiary	–	(22,308)
Advances to an associate	(10,690)	(5,298)
Proceeds from disposal of investment properties	58,900	13,343
Proceeds from disposal of property, plant and equipment	207	–
Interest received	5,547	5,958
Increase in pledged bank deposit	(8,602)	–
Decrease (increase) in held-to-maturity financial assets	3,900	(3,900)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	44,077	(13,939)
FINANCING ACTIVITIES		
Increase in trust receipt loans	89,618	–
Increase (decrease) in discounted bills receivables with full recourse	34,938	(11,419)
New bank loans raised	21,620	53,755
Interest paid	(15,960)	(12,242)
Dividend paid	(5,234)	(5,234)
Repayment of bank loans	(50,876)	(43,627)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	74,106	(18,767)
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,223	17,531
CASH AND CASH EQUIVALENTS AT 1 JANUARY	53,029	34,126
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	526	1,372
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	70,778	53,029
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	70,778	57,715
Bank overdrafts	–	(4,686)
	70,778	53,029

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. General

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Fulerest Limited and its ultimate holding company is Kwong Fong Industries Corporation with its shares listed on Taiwan Stock Exchange Corporation. The address of the registered office and principal place of business of the Company are 6th Floor, 9 Des Voeux Road West, Hong Kong.

The functional currency of the Company and its major subsidiaries is United State dollars. The consolidated financial statements are presented in Hong Kong dollars which is different from the functional currency of the Company, as the directors of the Company consider that Hong Kong dollars is the most appropriate presentation currency in view of its place of listing.

The principal activities of the Company and its subsidiaries (the "Group") are trading of animal feed (including fishmeal and tapioca chips) and property investment.

2. Prior Year Adjustments

In previous years, deferred tax liabilities were not recognised for the revaluation of certain investment properties in the Peoples' Republic of China as these properties were subject to witholding tax only. Deferred tax liabilities should be recognised as such witholding 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 1 January 2006 and retained profits as at 1 January 2006 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.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment to Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(IFRIC)-Int") (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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 of the Group and the Company for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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 Company 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 and the Company.

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*

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Business combinations

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

4. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet as an intangible asset.

Impairment of goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. Significant Accounting Policies *(Continued)*

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Revenue arising from the sale of properties in the ordinary course of business is recognised where all of the following criteria have been met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Agency fee income is recognised when services are provided.

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

4. Significant Accounting Policies *(Continued)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gain or losses arsing from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and buildings

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments under operating leases, which are carried at cost and released to income statement over the lease term on a straight-line basis.

4. Significant Accounting Policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's Financial assets at FVTPL including financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method *(Continued)*

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries, loan to an associate, trade and other receivables, amount due from an associate, bank balances and pledged bank deposit) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For an available-for sale debt investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial liabilities and equity

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

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

Effective interest method

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

Financial liabilities

Financial liabilities (including trade and bills payables, other payables, amounts due to subsidiaries and borrowings), are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Inventories

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

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Impairment loss on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

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

4. Significant Accounting Policies *(Continued)*

Foreign currencies

The individual financial statements of group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

The contributions payable to the retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

5. 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

5. Segment Information *(Continued)*

Business segments *(Continued)*

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
	1,395,161	1,459,948

Segment information about these business is presented below:

2007

	Animal feed trading HK$'000	Property investment HK$'000	Consolidated HK$'000
REVENUE			
External sales	**1,349,922**	**45,239**	**1,395,161**
RESULT			
Segment result	**(67,656)**	**121,706**	**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**	**26,770**
Profit before taxation			**34,389**
Income tax expense			**(4,549)**
Profit for the year			**29,840**

5. Segment Information *(Continued)*

Business segments *(Continued)*

2007 (Continued)

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			**44,062**
Consolidated total assets			**1,236,424**
LIABILITIES			
Segment liabilities	**94,915**	**109,235**	**204,150**
Unallocated corporate liabilities			**407,089**
Consolidated total liabilities			**611,239**

OTHER INFORMATION

	Animal feed trading HK$'000	Property investment HK$'000	Consolidated HK$'000
Capital additions	111	608	719
Impairment of goodwill	19,308	–	19,308
Depreciation of property, plant and equipment	405	974	1,379
Amortisation of prepaid lease payments	–	16	16
Allowance for trade and other receivables	3,850	16	3,866
Allowance for inventories	364	–	364
Loss on disposal of property, plant and equipment	–	57	57

5. Segment Information *(Continued)*

Business segments *(Continued)*

2006

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

CONSOLIDATED BALANCE SHEET

	Animal feed trading HK$'000	Property investment HK$'000	Consolidated HK$'000 (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			23,003
Consolidated total assets			1,104,194
LIABILITIES			
Segment liabilities	231,566	132,413	363,979
Unallocated corporate liabilities			176,592
Consolidated total liabilities			540,571

5. Segment Information *(Continued)*

Business segments *(Continued)*

2006 (Continued)

OTHER INFORMATION

	Animal feed trading HK$'000	Property investment HK$'000	Consolidated HK$'000
Capital additions	22,308	1,734	24,042
Depreciation of property, plant and equipment	147	888	1,035
Amortisation of prepaid lease payments	–	16	16
Amortisation of prepaid lease payments included in properties held for sale	–	78	78
Impairment of properties held for sale	–	1,074	1,074
Allowance for trade and other receivables	2,617	303	2,920
Allowance for inventories	11,035	–	11,035
Loss on disposal of property, plant and equipment	91	–	91

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
	1,395,161	1,459,948

5. Segment Information *(Continued)*

Geographical segments *(Continued)*

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**	**–**
Total segment assets	**1,236,424**	**719**

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	–	–	–
Total segment assets	1,104,194	22,308	93	1,641

6. Other Income

	2007 HK$'000	2006 HK$'000
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	**5,108**	2,067
	11,057	9,212

7. Finance Costs

	2007 HK$'000	2006 HK$'000
Interest on bank loans and overdrafts		
– wholly repayable within five years	**9,263**	4,394
– not wholly repayable within five years	**6,697**	7,848
	15,960	12,242

8. Profit Before Taxation

	2007 HK$'000	2006 HK$'000
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	**1,348,321**	1,248,384
Exchange loss, net	**1,663**	–
and after crediting:		
Gross rental income from investment properties	**25,262**	25,006
Less: Outgoings	**(3,575)**	(3,193)
Net rental income from investment properties	**21,687**	21,813

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.

9. Directors' and Employees' Remuneration

(a) Directors' remuneration

	Mr Rustom Ming Yu HO HK$'000	Mr John Ming Tak HO HK$'000	Mr Patrick Kwok Wai POON HK$'000	Mr Chiu Yi CHIU HK$'000	Mr Lawrence Kam Kee YU HK$'000	Mr David Hon To YU HK$'000	Mr Hsu Chou WU HK$'000	Total HK$'000
2007								
Fees	–	–	–	–	240	240	60	540
Other emoluments								
Salaries and other benefits	757	4,605	957	–	–	–	–	6,319
Discretionary performance bonus	–	–	272	–	–	–	–	272
Retirement benefit scheme contributions	–	12	37	–	–	–	–	49
	757	4,617	1,266	–	240	240	60	7,180
2006								
Fees	–	–	–	–	240	240	60	540
Other emoluments								
Salaries and other benefits	757	4,565	573	47	–	–	–	5,942
Discretionary performance bonus	–	1,120	490	–	–	–	–	1,610
Retirement benefit scheme contributions	–	12	22	–	–	–	–	34
	757	5,697	1,085	47	240	240	60	8,126

Note: Patrick Kwok Wai POON appointed as an executive director on 20 April 2006 and Mr Chiu Chiu Yi resigned as an executive director on 30 May 2006.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2006: three) are directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2006: two) individuals are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**2,297**	1,206
Discretionary performance bonus	**397**	749
Retirement benefit costs – defined contribution plan	**21**	24
	2,715	1,979

The emoluments were within the following bands:

	No. of employees	
	2007	2006
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**1**	1

10. Income Tax Expense

	2007 HK$'000	2006 HK$'000 (Restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	**37**	270
Overprovision in prior years	**(563)**	–
	(526)	270
Other jurisdictions – current year	**1,127**	–
	601	270
Deferred tax liabilities (note 34)		
Current year	**4,538**	3,056
Effect of change in tax rate	**(590)**	–
Taxation attributable to the Company and its subsidiaries	**4,549**	3,326

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.

The income tax expense for the year can be reconciled to profit before taxation per the consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000 (Restated)
Profit before taxation	**34,389**	65,769
Tax at Hong Kong Profits Tax rate of 17.5%	**6,018**	11,509
Tax effect of expenses not deductible for tax purpose	**6,114**	1,761
Tax effect of income not taxable for tax purpose	**(1,829)**	(442)
Tax effect of tax losses not recognised	**13,643**	2,284
Tax effect on different tax rate of operations in other jurisdictions	**(10,305)**	(32)
Tax effect of deductible temporary differences not recognised	**(29)**	–
Effect of change in tax rate	**(590)**	–
Utilisation of tax losses previously not recognised	**(171)**	(8,351)
Reversal of deferred tax upon transfer of property held for sale to investment property	**–**	(3,403)
Reversal of deferred tax upon disposal of investment properties	**(7,739)**	–
Overprovision in prior years	**(563)**	–
Income tax expense for the year	**4,549**	3,326

11. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent a profit of HK$875,000 (2006: a loss of HK$29,342,000).

12. Dividend

	2007 **HK$'000**	2006 HK$'000
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	**2,617**	2,617
	5,234	5,234

The final dividend of HK1 cent for the year ended 31 December 2007 (2006: HK 1 cent) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. Earnings Per Share

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

	2007 **HK$'000**	2006 HK$'000 (Restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the Company	**29,840**	62,443

	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	**261,684,910**	261,684,910

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

14. Goodwill

	THE GROUP HK$'000
COST	
At 1 January 2006	–
Arising from acquisition of subsidiaries	22,308
At 31 December 2006, and 31 December 2007	22,308
IMPAIRMENT	
At 1 January 2006 and 31 December 2006	–
Impairment charge to consolidated income statement of the year	19,308
At 31 December 2006 and 31 December 2007	19,308
CARRYING AMOUNTS	
At 31 December 2007	3,000
At 31 December 2006	22,308

Goodwill in 2006 and 2007 was allocated to one cash generating unit (CGU), engaging in the animal feed trading business with operation located in Mainland China.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a ten year period and discount rate of 10%. The cash flows beyond five year period are extrapolated using a zero growth rate and assuming steady cash flow at the fifth year. The growth rate does not exceed the long-term average growth rate for the animal feed trading business in which the CGU operates. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

During the year, the Group has recognised an impairment loss on goodwill amounting to HK$19,308,000 in the consolidated income statement.

Due to the effects caused by the decrease in the demand of animal feed and the uncertainty about the market conditions, the Group has revised its cash flow forecasts for the CGU during the period. The CGU has therefore been reduced to its recoverable amount through the recognition of the impairment loss.

15. Investment Properties

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2006	565,474
Exchange realignment	7,263
Additions	93
Transfer from properties held for sale	19,500
Increase in fair value	22,176
Disposals	(13,343)
At 31 December 2006	601,163
Exchange realignment	20,408
Increase in fair value	98,850
Disposals	(58,900)
At 31 December 2007	661,521

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by A.G. Wilkinson & Associates, independent qualified professional valuers not connected with the Group. A.G. Wilkinson & Associates is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the Mainland China and Hong Kong. The valuation, which conforms to Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

Certain investment properties with an aggregate carrying value of HK$650,575,000 (2006: HK$580,029,000) have been pledged to secure bank facilities granted to the Group.

The carrying value of investment properties shown above comprises:

	2007 HK$'000	2006 HK$'000
Properties situated on:		
– land in Hong Kong under:		
Long Lease	**316,900**	300,300
Medium-term lease	**52,000**	99,300
– land outside Hong Kong under:		
Long lease	**292,621**	201,563
	661,521	601,163

16. Property, Plant and Equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2006	10,928	8,283	2,365	5,415	26,991
Exchange realignment	58	60	52	120	290
Additions	–	–	1,586	55	1,641
Disposals	–	(675)	–	(144)	(819)
At 31 December 2006	10,986	7,668	4,003	5,446	28,103
Exchange realignment	182	154	110	211	657
Additions	–	513	–	206	719
Disposals	–	–	(342)	(876)	(1,218)
Written off	–	(4,426)	–	–	(4,426)
Transfer to asset classified as held for sale	(6,804)	–	–	–	(6,804)
At 31 December 2007	4,364	3,909	3,771	4,987	17,031
DEPRECIATION					
At 1 January 2006	2,229	7,851	1,148	4,771	15,999
Exchange realignment	58	48	28	102	236
Provided for the year	269	166	402	198	1,035
Eliminated on disposals	–	(603)	–	(125)	(728)
At 31 December 2006	2,556	7,462	1,578	4,946	16,542
Exchange realignment	–	95	68	184	347
Provided for the year	266	140	784	189	1,379
Eliminated on disposals	–	–	(342)	(832)	(1,174)
Written off	–	(4,206)	–	–	(4,206)
Transfer to asset classified as held for sale	(2,239)	–	–	–	(2,239)
At 31 December 2007	583	3,491	2,088	4,487	10,649
CARRYING AMOUNTS					
At 31 December 2007	3,781	418	1,683	500	6,382
At 31 December 2006	8,430	206	2,425	500	11,561
THE COMPANY					
COST					
At 1 January 2006	–	–	–	1,188	1,188
Exchange realignment	–	–	–	7	7
At 31 December 2006	–	–	–	1,195	1,195
Exchange realignment	–	–	–	15	15
Additions	–	–	–	4	4
At 31 December 2007	–	–	–	1,214	1,214
DEPRECIATION					
At 1 January 2006	–	–	–	1,186	1,186
Exchange realignment	–	–	–	7	7
Provided for the year	–	–	–	1	1
At 31 December 2006	–	–	–	1,194	1,194
Exchange realignment	–	–	–	15	15
Provided for the year	–	–	–	1	1
At 31 December 2007	–	–	–	1,210	1,210
CARRYING AMOUNTS					
At 31 December 2007	–	–	–	4	4
At 31 December 2006	–	–	–	1	1

16. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values at the following rates per annum:

Category of assets	**Estimated useful lives**
Buildings	2.5%
Leasehold improvements	20%
Motor vehicles	25%
Furniture, fixtures and office equipment	20%

Certain buildings with an aggregate carrying amount of HK$1,218,000 (2006: HK$5,983,000) have been pledged to secure bank facilities granted to the Group.

17. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Leasehold land in PRC held under		
– long leases	**296**	300
Leasehold land in Hong Kong held under		
– long leases	**212**	10,540
	508	10,840
Analysed for reporting purposes as:		
– Non-current asset	**503**	10,824
– Current asset	**5**	16
	508	10,840

Prepaid lease payments with carrying values of HK$10,316,000 (2006: nil) have been transferred to assets classified as held for sale.

Prepaid lease payments with carrying values of HK$212,000 (2006: HK$10,540,000) have been pledged to secure bank facilities granted to the Group.

18. Deposit Paid on Acquisition of Leasehold Land and Buildings

On 26 November 2007, Silver Regent Development Limited ("Silver Regent"), a wholly owned subsidiary of the Company, entered into the agreement with Alps Systems Technology Limited ("Apls Systems"), an independent third party on the acquisition of the property located at Unit D, 26/F, United Centre, No. 95 Queensway, Hong Kong at a consideration of HK$42,536,000. An initial deposit of HK$4,275,000 was paid to Apls Systems in November 2007. The acquisition is expected to be completed in February 2008.

19. Interests in Subsidiaries

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost, including deemed capital contribution in subsidiaries	**53,755**	51,216
Less: Impairment losses recognised	**(3,872)**	(3,872)
	49,883	47,344

Particulars of the subsidiaries at 31 December 2007 and 2006 are as follows:

Name of subsidiary	Place/country of incorporation/operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company 2007	2006	Principal activities
Direct subsidiary					
G.C. Luckmate Trading (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Animal feed trading
G.C. Nominees Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Inactive
Halesite Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100%	100%	Property investment
New Solution Consultants Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Investment holding
Sunison Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Investment holding
Tai Loy Trading Company Limited	Hong Kong	43,344,000 ordinary shares of HK$1 each	100%	100%	Investment holding
Dajen Properties Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding

19. Interests in Subsidiaries *(Continued)*

Name of subsidiary	Place/country of incorporation/operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company 2007	2006	Principal activities
Direct subsidiary (Continued)					
Great China Development (Shanghai) Limited	British Virgin Islands/Hong Kong	10 ordinary shares of US$1 each	100%	100%	Investment holding
549653 B.C. Limited	Canada	1 ordinary share of CAD1 each	100%	100%	Property investment in Vancouver, Canada
Haode Property Management (Shanghai) Company Limited*	PRC	Registered capital of US$500,000	100%	100%	Real estate agent in Shanghai, China
Indirect subsidiary					
Alliance Pacific Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment in Beijing China
Capital Head Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment in Shanghai, China
Concord Trinity Development Limited	Hong Kong	2 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each *(note)*	100%	100%	Property investment in Shanghai, China
G.C. Luckmate Trading Limited	Hong Kong	4,000,000 ordinary shares of HK$1	100%	100%	Animal feed trading
G.C. Luckmate Trading (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Animal feed trading
G.C. Luckmate Trading (International) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Animal feed trading
Glory South Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment
Honour Alliance Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Property investment
Jelson Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each *(note)*	100%	100%	Property investment in Shanghai, China

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19. Interests in Subsidiaries *(Continued)*

Name of subsidiary	Place/country of incorporation/operations	Issued share capital	Percentage of nominal value of issued share capital held directly/ indirectly by the Company 2007	2006	Principal activities
Indirect subsidiary (Continued)					
Silver Regent Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Property investment
Star Talent Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment in Beijing, China
Adamgate Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Fairlight Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	100%	100%	Ship chartering
Great China Commodities Limited	British Virgin Islands/Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	Investment holding
Jasmine Ocean Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1 each	100%	100%	Ship chartering
Poppins Properties Limited	British Virgin Islands/Hong Kong	55,603 ordinary shares of US$1 each	100%	100%	Investment holding
Qingdao Parada International Heating Company Limited**	PRC	Registered capital of US$360,000	63%	63%	Boiler trading in Qingdao, China
上海裕景貿易有限公司*	PRC	Registered capital of RMB3,000,000	100%	100%	Animal feed trading
博平置業(上海)有限公司*	PRC	Registered capital of US$8,460,000	100%	100%	Property investment in Shanghai, China
上海澤尼貿易有限公司*	PRC	Registered capital of US$150,000	100%	N/A	Inactive

* *A wholly foreign owned enterprise*

** *A foreign equity joint venture enterprise*

Note: The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

20. Interests in Associates

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Cost of investment in unlisted associates	**–**	–
Share of post-acquisition reserves	**93,098**	50,715
	93,098	50,715

The loan to an associate is unsecured, bearing interest at the prevailing market rates and not repayable within the next twelve months after the balance sheet date. Accordingly, the amount is shown as non-current asset.

The amount due from an associate is unsecured, interest-free and repayable on demand.

Particulars of the associates at 31 December 2007 and 2006 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital indirectly held by the Company 2007	Proportion of nominal value of issued share capital indirectly held by the Company 2006	Principal activity
Samstrong International Limited *(note 1)*	Incorporated	British Virgin Island/Hong Kong	43%	43%	Investment holding
Da Da Development (Shanghai) Corporation *(note 2)*	Incorporated	PRC	43%	43%	Property investment in Shanghai, China
Yield Commence Limited *(note 3)*	Incorporated	PRC	43%	N/A	Inactive

20. Interests in Associates *(Continued)*

Notes:

1. Out of the total 43 shares held by the Group, 7 shares (2006: 7 shares) are charged to another shareholder of Samstrong International Limited in exchange for the consent from such shareholder to pledge the investment properties of the associate as security for banking facilities used by the Group.

2. Da Da Development (Shanghai) Corporation is a wholly owned subsidiary of Yield Commence Limited and it is also a wholly foreign owned investment enterprise.

3. Yield Commence Limited is a wholly owned subsidiary of Samstrong International Limited and it is also a wholly foreign owned investment enterprise newly set up during the year.

The summarised consolidated financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$'000	HK$'000
Total assets	**283,324**	336,850
Total liabilities	**(66,817)**	(218,908)
Net assets	**216,507**	117,942
Group's share of net assets of associates	**93,098**	50,715
Revenue	**6,453**	7,365
Profit for the year	**62,255**	1,541
Group's share of results of associates for the year	**26,770**	663

Certain investment properties with carrying values of nil (2006: HK$11,068,200) have been pledged to secure bank facilities granted to the associates.

21. Amounts Due from (to) Subsidiaries

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Amounts due from subsidiaries	**442,317**	246,036
Less: Impairment losses recognised	**(4,388)**	(4,388)
	437,929	241,648
Less: amounts due within one year shown under current assets	**(152,008)**	–
Amounts due after one year	**285,921**	241,648

Included in the amounts due from subsidiaries of HK$285,921,000 (2006: HK$241,648,000) is unsecured, interest-free and will not be demanded for repayment within the next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current. The remaining balance is unsecured, interest-free and repayable on demand.

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Amounts due to subsidiaries	**168,742**	(31,767)
Less: amounts due within one year shown under current liabilities	**(168,742)**	–
Amounts due after one year	**–**	(31,767)

Included in the amounts due to subsidiaries of nil (2006: HK$31,767,000) is unsecured, interest-free and will not be demanded for repayment within the next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current. The remaining balance is unsecured, interest-free and repayable on demand.

The interest-free balance is initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of the amount is 6.3% (2006: 6.3%) per annum.

22. Available-for-sale Financial Assets

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Club debentures	**4,101**	2,274

All available-for-sale financial asses, representing club debentures, are stated at fair value.

23. Properties Held for Sale

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Properties held for sale		
– Prepaid lease payments	**5,461**	5,539
– Buildings	**24,303**	36,406
	29,764	41,945
Properties held for sale in PRC under long leases	**29,764**	41,945

Certain properties held for sale with a carrying amount of HK$27,453,000 (2006: HK$39,212,000) have been pledged to secure bank facilities granted to the Group.

24. Inventories

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Trading merchandises	**90,224**	121,625

25. Trade and Other Receivables

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

The Group allows a credit period ranging from 30 to 90 days to its customers in respect of trading of animal feed. 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, assessed individually by reference to past default experience.

Included in trade and other receivables are trade and bills receivables with an aged analysis as follows:

	2007	2006
	HK$'000	HK$'000
0-30 days	**151,789**	94,973
31-60 days	**614**	–
61-90 days	**4**	–
Over 90 days	**3,344**	6,221
	155,751	101,194

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with a carrying amount of nil (2006: nil) which are past due at the reporting date for which the Group has not provided.

25. Trade and Other Receivables *(Continued)*

Movement in the allowance for doubtful debts

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	**1,889**	1,863
Amounts written off during the year	**–**	(2,894)
Increase in allowance recognised in profit or loss	**2,436**	2,920
	4,325	1,889

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of HK$4,325,000 (2006: HK$1,889,000) which are either been placed in severe financial difficulties.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Company has concentration of credit risks as 11% (2006: 5%) and 12% (2006: 5%) of the total receivables was due from the Company's largest customer and the five largest customers respectively. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

During the year, the Group discounted HK$724,917,000 (2006: HK$1,068,620,000) of bills receivables with recourse with certain banks. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received from the banks as a secured borrowing.

At 31 December 2007, the carrying amount of bills receivable with recourse, which have been pledged to certain banks as security for the borrowing, is HK$39,993,000 (2006: HK$5,055,000). The carrying amount of the associated liability is HK$39,993,000 (2006: HK$5,055,000).

26. Financial Assets at Fair Value through Profit or Loss

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Listed securities held for trading:		
Equity securities	**–**	75
Market value of listed securities	**–**	75

27. Held-to Maturity Financial Assets

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Unlisted securities:		
Note with variable interest and maturity date of 21 May 2007	**–**	3,900

The held-to-maturity financial assets were denominated in United States dollars.

28. Bank Balances and Cash and Pledged Bank Deposit

THE GROUP

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rates ranging from 2.25% to 5.16% (2006: 2.75% to 5.11%) per annum.

The pledged deposit held by the Group carries prevailing market interest rate at 4.14% (2006: nil) per annum.

THE COMPANY

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rates ranging from 3.41% to 3.95% (2006: 2.75% to 3.56%) per annum.

29. Asset Classified as Held for Sale

On 31 December 2007, Silver Regent entered into an agreement with Tech-link Silicones Company Limited ("Tech-link Silicones"), an independent third party, for the disposal of the Group's office building located at 6/F, King Kong Commercial Center, 9 Des Voeux Road West, Hong Kong (the "Property"), which are expected to be sold within the next twelve months from the balance sheet date. The consideration for the disposal of the Property to be paid by Tech-link Silicones is approximately HK$36 million with an estimated gain on disposal of approximately HK$21 million. The proceeds of disposal are expected to exceed the net carrying amount of the Property and, accordingly, no impairment loss has been recognised on the classification of the Property classified as held for sale.

At the balance sheet date, the property has been pledged to secured bank facilities granted to the Group.

30. Trade and Bills Payables

At the balance sheet date, an aged analysis of the trade and bills payables are as follows:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
0-30 days	**158,737**	119,793
31 to 60 days	**–**	14
Over 60 days	**581**	422
	159,318	120,229

The average credit period on purchase of goods is 30 days. No interest is charged on the trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

31. Borrowings

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured				
Bank loans	**163,695**	190,218	**71,767**	93,067
Trust receipt loans	**89,618**	–	**82,243**	–
Discounted bills receivables with full recourse	**39,993**	5,055	**–**	–
Bank overdraft	**–**	4,686	**–**	4,686
	293,306	199,959	**154,010**	97,753

31. Borrowings *(Continued)*

The maturity of the above borrowings is as follows:

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
On demand or within one year	**158,871**	54,334	**88,829**	26,019
More than one year, but not exceeding two years	**34,187**	38,133	**6,723**	6,469
More than two years, but not exceeding five years	**45,231**	33,675	**21,028**	20,323
More than five years	**55,017**	73,817	**37,430**	44,942
	293,306	199,959	**154,010**	97,753
Less: Amount due within one year shown under current liabilities	**(158,871)**	(54,334)	**(88,829)**	(26,019)
Amount due after one year	**134,435**	145,625	**65,181**	71,734

Included in the Group's borrowings are variable-rate borrowings of HK$278,721,000 (2006: HK$185,307,000) which carry interest at HIBOR or LIBOR plus certain basis points and subject to cash flow interest rate risk.

The effective interest rates at the balance sheet date on the borrowings of the Group and the Company were as follows:

	THE GROUP			THE COMPANY	
	HK$	US$	RMB	HK$	US$
2007					
Bank loans	4.61%	6.18%	6.23%	4.75%	6.23%
Trust receipt loans	–	5.04%	–	–	–
Discounted bills receivables with full recourse	–	4.42%	–	–	–
2006					
Bank loans	4.97%	6.98%	6.56%	4.73%	6.98%
Discounted bills receivables with full recourse	–	5.89%	–	–	–
Bank overdrafts	7.75%	–	–	–	–

Bank borrowings were secured by certain investment properties, certain buildings, prepaid lease payments and properties held for sale, pledged bank deposits and asset classified as held for sale. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings. Discounted bills receivables within full recourse are secured by bills receivables.

31. Borrowings *(Continued)*

The Group and the Company's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**57,393**	63,983	**44,763**	68,889

As at the balance sheet date, the Group and the Company has the following undrawn borrowing facilities:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Floating rate – expiring within one year	**464,839**	316,924	**218,968**	202,009

The facilities expiring within one year are annual facilities subject to review at various dates during 2008.

32. Share Capital

	Number of shares 2007 & 2006	**Amount 2007 & 2006**
		HK$'000
Ordinary shares of HK$0.2 each		
Authorised:		
At 1 January and 31 December	**500,000,000**	100,000
Issued and fully paid:		
At 1 January and 31 December	**261,684,910**	52,337

33. Reserves

THE COMPANY

	Share premium	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2006	19,516	102,519	122,035
Loss for the year	–	(29,342)	(29,342)
Dividend paid	–	(5,234)	(5,234)
At 31 December 2006	19,516	67,943	87,459
Profit for the year	–	875	875
Dividend paid	–	(5,234)	(5,234)
At 31 December 2007	19,516	63,584	83,100

34. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the two years ended 31 December 2007 and 2006:

THE GROUP

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000 (Restated)	Tax losses HK$'000	Total HK$'000
At 1 January 2006				
– originally stated	1,459	66,856	–	68,315
– prior year adjustments *(note 2)*	–	3,480	–	3,480
– restated	1,459	70,336	–	71,795
Exchange realignment	217	712	–	929
Charge (credit) to consolidated income statement for the year	3,083	3,312	(3,339)	3,056
At 31 December 2006	4,759	74,360	(3,339)	75,780
Exchange realignment	288	1,306	–	1,594
(Credit) charge to consolidated income statement for the year	(637)	12,313	600	12,276
Effect of change in tax rate	13	(603)	–	(590)
Reversal upon disposal of investment property	(129)	(7,609)	–	(7,738)
At 31 December 2007	4,294	79,767	(2,739)	81,322

At the balance sheet date, the Company has unused tax losses of HK$156,952,000 (2006: HK$79,969,000) available for offset against future profits. A deferred tax asset of approximately HK$2,739,000 (2006: HK$3,339,000) has been recognised in respect of approximately HK$15,651,000 (2006: HK$19,081,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining HK$141,315,000 (2006: HK$60,888,000) of such losses due to the unpredictability of future profit streams. Losses amounting to HK$7,455,000 (2006: HK$7,456,000) will expire from 2008 to 2013 and losses amounting to HK$149,497,000 (2006: HK$72,513,000) have no expiry date.

At the balance sheet date, the Group has deductible temporary differences of HK$671,000 (2006: HK$776,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

35. Contingent Liabilities and Commitments

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contingent liabilities:				
Corporate guarantees given to banks in respect of banking facilities utilised by				
– subsidiaries	**–**	–	**182,295**	375,291
– an associate	**–**	11,068	**–**	11,068
	–	11,068	**182,295**	386,359

Included in the Company's other payables and accrued expenses of HK$2,539,000 is the deferred income recognised in relation to the above mentioned guarantees given to banks in respect of banking facilities utilised by its subsidiaries. The Company has not recognised any deferred income in relation to the above mentioned guarantee issued by the Company to the bank in respect of banking facility utilised by an associate as its fair value is considered to be not significant.

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments:				
Contracted for but not provided:				
Acquisition of property, plant and equipment	**38,325**	1,066	**–**	1,066
Capital contribution to a subsidiary	**1,170**	–	**–**	–
	39,495	1,066	**–**	1,066

36. Operating Lease Arrangements

The Group as lessee:

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

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Within one year	**648**	276

Operating lease payments represent rental payable by the Group for certain of land and buildings. Leases for these lands and buildings are negotiated for terms of one year with fixed rentals.

The Group as lessor:

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Within one year	**25,207**	22,878
In the second to fifth year inclusive	**56,450**	41,994
Over five years	**39,267**	15,122
	120,924	79,994

Leases are negotiated for an average term ranging from 1 to 10 years with fixed rentals over the terms of the leases.

37. Retirement Benefit Scheme

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme from 1 December 2000 onwards, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK$1,000 per month whichever is the smaller to the scheme.

The total cost charged to the consolidated income statement of HK$223,920 (2006: HK$164,742) represents contributions payable to the MPF Scheme, by the Group during the year.

38. Pledge of Assets

At 31 December 2007, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the banking facilities:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Investment properties	**650,575**	580,029
Buildings	**1,218**	5,983
Pledge deposit	**8,602**	–
Properties held for sale	**27,453**	39,212
Prepaid lease payments	**212**	10,540
Assets classified as held for sale	**14,881**	–
Trade receivables	**39,992**	5,055

39. Related Party Transactions

(1) Transactions with associates

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Nature of transaction		
Interest income received by the Group	**154**	2,704

(2) The Group's balances with related parties are set out in the balance sheets and notes 19, 20 and 21.

(3) Key management compensation was as follows:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**8,223**	7,830
Retirement benefit costs – defined contribution plan	**58**	34
	8,281	7,864

40. Key Source of Estimation Uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a ten-year period and discount rate of 10%. The cash flows beyond five year period are extrapolated using a zero growth rate and assuming steady cash flow at the fifth year. The growth rate does not exceed the long-term average growth rate for the general trading business in which the CGU operates. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, taking into account the average selling and purchase prices in latest periods and the seasonal effect, such estimation is based on the CGU's past performance and management expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

40. Key Source of Estimation Uncertainty *(Continued)*

(ii) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. The valuation is reviewed annually by qualified valuers by considering information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from the external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(iii) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of trade receivable is HK$154,321,000 (net of allowance for doubtful debts of HK$5,755,000).

(iv) Fair value of other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, club debentures) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

40. Key Source of Estimation Uncertainty *(Continued)*

(v) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant judgements are required. In making this judgement, the Company evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

41. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 28 and consolidated statement of changes in equity respectively.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2006.

42. Financial Instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4.

42. Financial Instruments *(Continued)*

(b) Categories of financial instruments

	2007 HK$'000	2006 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	–	75
Held-to-maturity investments	–	3,900
Loans and receivables (including cash and cash equivalents)	300,598	213,686
Available-for-sale financial assets	4,101	2,274
	304,699	219,935
Financial liabilities		
Amortised cost	452,624	320,188

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures.

(d) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 1% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 97% of costs are denominated in the group entity's functional currency.

42. Financial Instruments *(Continued)*

(d) Foreign currency risk management *(Continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**664**	1,687	**850**	2,070
United States dollars	**148,619**	93,008	**123,041**	55,613
British sterling	**12**	–	**–**	–
Renminbi	**3,925**	1	**1,681**	956
Philippine peso	**72**	51	**–**	–

Foreign currency sensitivity

The Group is mainly exposed to the currency of United States dollars, Japanese Yen, Euro, British sterling, Renminbi and Philippine peso.

The following table details the Group's sensitivity to a 10% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the functional currencies of the relevant group entities strengthens against the relevant foreign currencies.

	Profit or loss	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**17**	35
United States dollars	**(2,325)**	(3,400)
British sterling	**(1)**	–
Renminbi	**(204)**	87
Philippine peso	**(7)**	(5)

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

42. Financial Instruments *(Continued)*

(e) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group and the Company have the effective interest on the loan to an associate and borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including loan to associate, bank balances, pledged bank deposit and borrowings, at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2007 would decrease/increase by HK$889,000 (2006: decrease/increase by HK$576,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate loan to an associate, bank balances, pledged bank deposit and borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(f) Other price risks

The Group is exposed to price risks arising from its available-for-sale financial assets. The management manages this exposure by maintaining a portfolio of investments with different risks.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the price of debt instructments had been 10% higher/lower while all other variables were held constant:

- investment revaluation reserve would increase/decrease by HK$410,000 (2006: increase/decrease by HK$227,000) mainly as a result of the changes in the fair value of available-for-sale financial assets.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

42. Financial Instruments *(Continued)*

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company has concentration of credit risk as 11% (2006: 5%) and 12% (2006: 5%) of the total receivables was due from the Company's largest customer and the five largest customers respectively.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum credit risk	
	2007	2006
	HK$'000	HK$'000
Fair value through profit or loss (FVTPL)		
Held for trading	**–**	75
Held-to-maturity investments	**–**	3,900
Loans and receivables (including cash and cash equivalents)	**300,598**	213,686
Available-for-sale financial assets	**4,101**	2,274
	304,699	219,935

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2007, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$464,839,000 (2006: HK$316,924,000). Details of which are set out in note 31.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Such non-derivative financial liabilities outstanding at the balance sheet date are considered as if outstanding for the whole year. The table includes both interest and principal cash flows.

	0-60 days HK$'000	**61-180 days HK$'000**	**181-365 days HK$'000**	**1-2 years HK$'000**	**2-3 years HK$'000**	**Over 3 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31.12.2007 HK$'000**
2007								
Non-derivative financial liabilities								
Trade and bills payables	**156,165**	**3,153**	**–**	**–**	**–**	**–**	**159,318**	**159,318**
Trust receipt loans	**–**	**91,873**	**–**	**–**	**–**	**–**	**91,873**	**89,618**
Discounted bills receivables with full recourse	**40,329**	**–**	**–**	**–**	**–**	**–**	**40,329**	**39,993**
Bank loans								
– fixed rate	**–**	**–**	**15,415**	**–**	**–**	**–**	**15,415**	**14,585**
– variable rate	**–**	**–**	**15,348**	**35,869**	**47,480**	**73,732**	**172,429**	**149,110**
	196,494	**95,026**	**30,763**	**35,869**	**47,480**	**73,732**	**479,364**	**452,624**

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006								
Non-derivative financial liabilities								
Trade and bills payables	119,807	422	–	–	–	–	120,229	120,229
Discounted bills receivables with full recourse	5,097	–	–	–	–	–	5,097	5,055
Bank overdraft	4,747	–	–	–	–	–	4,747	4,686
Bank loans								
– fixed rate	–	–	15,486	–	–	–	15,486	14,652
– variable rate	15,121	–	15,623	40,000	35,147	102,026	207,917	175,566
	144,772	422	31,109	40,000	35,147	102,026	353,476	320,188

42. Financial Instruments *(Continued)*

(h) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

The following table details the Group's contractual maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007								
Non-derivative financial assets								
Trade and bills receivables	**147,662**	**8,089**	**–**	**–**	**–**	**–**	**155,751**	**155,751**
Cash and cash equivalents								
– fixed rate	**–**	**–**	**8,929**	**–**	**–**	**–**	**8,929**	**8,602**
– variable rate	**70,996**	**–**	**–**	**–**	**–**	**–**	**70,996**	**70,778**
Amount due from an associate	**44,003**	**–**	**–**	**–**	**–**	**–**	**44,003**	**44,003**
Loan to an associate	**–**	**–**	**–**	**–**	**–**	**24,281**	**24,281**	**21,464**
	262,661	**8,089**	**8,929**	**–**	**–**	**24,281**	**303,960**	**300,598**

	0-60 days HK$'000	61-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006								
Non-derivative financial assets								
Trade and bills receivables	94,973	6,221	–	–	–	–	101,194	101,194
Cash and cash equivalents								
– variable rate	57,904	–	–	–	–	–	57,904	57,715
Amount due from an associate	42,758	–	–	–	–	–	42,758	42,758
Loan to an associate	–	–	–	–	–	13,597	13,597	12,019
Held-to-maturity investments	–	–	3,960	–	–	–	3,960	3,900
	195,635	6,221	3,960	–	–	13,597	219,413	217,586

(i) Fair value of financial instruments

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

Except as indicated in the relevant note 22 in the financial statements, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Schedule of Principal Properties

Details of the principal properties held by the Group at 31 December 2007 are as follows:

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest %	Lease term
HONG KONG				
Shop A2 on Ground Floor East South Building 479-481 Hennessy Road and 29 Percival Street Causeway Bay, Hong Kong	430	Shop premises for rental	100%	Medium lease
Shops Nos. G55, G56, G57 and G58 on Ground Floor, Site A Park Lane Shopper's Boulevard 111-139, 143-161 and 165-181 Nathan Road Tsimshatsui, Kowloon	3,032	Shop premises for rental	100%	Long lease
Portions A3 and A4 of Shop A Ground Floor, Hollywood Shopping Centre Wing Wah Building 12-24 Sai Yeung Choi Street South and 40P Shantung Street, Mongkok, Kowloon	326	Shop premises for rental	100%	Long lease
Flat No. 4 on 18th Floor Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road, Hong Kong	1,400	Residential premises for rental	100%	Long lease
6th Floor and Carpark Space No. P20 on 2nd Floor King Kong Commercial Centre, No. 9 Des Voeux Road West, Hong Kong	5,025	Commercial building	100%	Long lease

Schedule of Principal Properties

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest %	Lease term
MAINLAND CHINA				
Unit Nos. 404, 504, 604, 704 and 804 of Block 2, Kingswell Garden Lane 3887 Hong Mei Road Chang Ning District, Shanghai	10,903	Residential premises for rental	100%	Long lease
Unit Nos. 201 to 220 on Level 2 and Nos. 301 to 314 on level 3 of Block No. 1 Kingswell Garden, Lane 3887 Hong Mei Road Chang Ning District, Shanghai	40,734	Residential premises for rental	100%	Long lease
Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement 1 of Block No. 1 Kingswell Garden, Lane 3887 Hong Mei Road Chang Ning District, Shanghai	10,958 (club house)	Club house and car parking spaces	100%	Long lease
Shopping Arcade on Level of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road, Chang Ning District Shanghai	16,685	Shopping arcade for rental	100%	Long lease
Unit G 12/F Block 5 Silver Valley Garden Haikou, Hainan	1,162	Residential premises for sale	100%	Long lease
Emerald Court, No. 111 Xing Guo Road Xu Hui District, Shanghai	31,501 (Garden) 96,450 (House) 34,730 (Basement)	Residential premises for rental	43%	Long lease
Units 6D, 6E, 14C, 17th, 23rd and 27th Floors, Western Portion of Level 1 Whole Floor of Level 2, Western Portion of Level 3 and Western Portion of Basement Levels 1-3 Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road, Jingan District, Shanghai	104,700	Residential apartments for sale, shopping arcade and carparks for rental	43%	Long lease

Financial Summary

Results:

	Year ended 31 December				
	2007 HK$'000	2006 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000	2003 HK$'000
Revenue	**1,395,161**	1,459,948	1,580,394	1,345,175	777,627
Cost of sales	**(1,348,685)**	(1,259,419)	(1,309,108)	(1,113,973)	(683,975)
Gross profit	**46,476**	200,529	271,286	231,202	93,652
Other income	**11,057**	9,212	2,919	14,210	821
Increase in fair value/revaluation increase in/gain on disposal of investment properties	**98,850**	22,176	31,824	–	–
Impairment of goodwill	**(19,308)**	–	–	–	–
Distribution costs	**(83,333)**	(124,064)	(221,414)	(173,875)	(79,197)
Administrative expenses	**(30,163)**	(30,505)	(24,597)	(25,466)	(22,555)
Other expenses	**–**	–	(11,471)	–	–
Finance costs	**(15,960)**	(12,242)	(7,003)	(8,255)	(12,243)
Share of results of associates	**26,770**	663	(4,482)	1,456	579
Profit/(loss) before taxation	**34,389**	65,769	37,062	39,272	(18,943)
Income tax expenses	**(4,549)**	(3,326)	(7,638)	(5,070)	(2,188)
Profit/(loss) for the year	**29,840**	62,443	29,424	34,202	(21,131)
Earnings per share	**HK11.40 cents**	HK23.86 cents	HK11.52 cents	HK13.09 cents	HK(7.7) cents
Attributable to:					
Equity holders of the Company	**29,840**	62,443	30,151	34,244	(20,143)
Minority interests	**–**	–	(727)	(42)	(988)
	29,840	62,443	29,424	34,202	(21,131)

Assets and liabilities:

	At 31 December				
	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Total assets	**1,236,424**	1,104,194	930,214	868,439	863,895
Total liabilities	**(611,239)**	(540,571)	(430,949)	(392,030)	(441,210)
	625,185	563,623	499,265	476,409	422,685
Equity attributable to equity holders of the Company	**625,185**	563,623	499,265	475,682	421,916
Minority interests	**–**	–	–	727	769
	625,185	563,623	499,265	476,409	422,685

Note: The above financial summary prior to 2004 has not been adjusted to take into account the effect on the adoption of certain HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The above financial summary prior to 2005 has not been adjusted to take into account the effect on the adoption of certain HKFRSs that are effective for accounting periods beginning on or after 1 January 2006.

The above financial summary prior to 2006 has not been adjusted to take into account the effect on the prior year adjustment on the deferred tax liabilities as set out in note 2 to the financial statements.