



GREAT CHINA

GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0141)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE 2008

The board of directors (the “Board”) of Great China Holdings Limited (the “Company”) is pleased to present this Interim Report for the six months ended 30 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company and its subsidiaries (collectively, the “Group”) achieved encouraging results during the six months ended 30 June 2008 (the “Period”). The Group’s net profit for the Period was approximately HK\$56.5 million (2007: HK\$15.0 million), representing a rise of around 276% from the corresponding period in 2007.

The Group’s revenue from its various business segments for the Period as compared with the corresponding period in 2007 is set out below:

REVENUE BY BUSINESS SEGMENT

	Six months ended 30 June	
	2008	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
	Unaudited	Unaudited
Fishmeal Products	648	611
Tapioca Products	55	141
Property Investment in Hong Kong	7	8
Property Investment in Mainland China	28	5
	<u>738</u>	<u>765</u>

The Group’s revenue for the Period was HK\$738 million, representing a drop of approximately 3.5% from the corresponding period last year. The reduction in revenue for the Period was mainly due to the decrease in sales of tapioca by HK\$86 million from the corresponding period last year.

The Group’s segmental profit for the Period as compared with the corresponding period in 2007 is set out below:

PROFIT BY BUSINESS SEGMENT

	Six months ended 30 June	
	2008	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
	Unaudited	Unaudited
Fishmeal Products	15.8	(45.8)
Tapioca Products	0.7	(0.8)
	<u>16.5</u>	<u>(46.6)</u>
General Trading	26.3	68.1
Property Investment	42.8	21.5
Segment Results	<u>42.8</u>	<u>21.5</u>
	<u>56.5</u>	<u>15.0</u>
Net profit	<u>56.5</u>	<u>15.0</u>

The Group’s net profit for the Period increased by about 276% to HK\$56.5 million as compared with the corresponding period in 2007. The increase was mainly due to the turnaround of the fishmeal business, from a segmental loss of around HK\$45.8 million for the corresponding period in 2007, to a segmental profit of HK\$15.8 million for the Period under review. Segmental loss for the previous period in 2007 mainly consisted of inventory provision of around HK\$41.9 million due to unexpected fluctuations in market selling prices and demand for fishmeal products in the Mainland China market.

In addition, the property investment segment recorded a profit of HK\$26.3 million as compared with HK\$68.1 million in the last period. Excluding the revaluation gain on investment properties of HK\$12.1 million (2007: HK\$62.4 million), the rental income and sale of properties generated a profit of HK\$14.2 million (2007: HK\$5.7 million), representing an increase of 149% from the corresponding period last year.

Apart from the segmental profit as disclosed above, the Group's net profit also included a profit on disposal of our office premises of approximately HK\$21.6 million for the Period (2007: Nil). The gain on this disposal was classified as unallocated income in the Segment Information section. In the Period, the Group completed the acquisition of new office premises located at Unit D, 26/F, United Centre, 95 Queensway, Hong Kong at a cost of approximately HK\$42.5 million. In April 2008, the Company moved to the said property as our new headquarters. The new office premises were valued at HK\$59.2 million by an independent valuer as at 30 June 2008.

BUSINESS REVIEW

General Trading

During the Period, general trading in both fishmeal and tapioca products generated profits. The gross profit margin from general trading operations improved significantly for the Period as compared with the corresponding period in 2007.

Fishmeal Products

The rising demand for various protein products around the world has led to increasing demand for fishmeal products, which in turn resulted in the increase in prices of fishmeal products from the last quarter of 2006 until the first quarter of 2007. For instance, in Peru, the price increased by more than 40% during the aforesaid period. However, due to the outbreak of a serious, uncommon pig's disease in the last quarter of 2006 and early 2007 in Mainland China, fishmeal product prices in Mainland China declined drastically during the second and third quarters of 2007 by around 25%. After adjustments in the market, fishmeal product prices stabilized at support levels in the last quarter of 2007. Due to the increasing trend in commodity prices, which include prices of vegetable proteins, crude oil, etc., prices of fishmeal products also increased gradually from the last quarter of 2007.

On average, selling price of fishmeal products for the Period was 17% below the average selling price for the same period in 2007. The attractive selling prices in the Period stimulated higher demand for fishmeal products, which led to the Group's increase of fishmeal sales in metric ton by 27% as compared with the corresponding period last year, resulting in an increase in turnover of fishmeal products for the Period by 6.1% as compared with the previous period in 2007.

Tapioca Products

Under unfavorable market conditions, the tapioca business division was extremely cautious. Our sales team entered into sales contracts only with well-established customers, resulting in a drastic decrease of 61% in turnover of tapioca products for the Period as compared with the corresponding period in 2007. Nevertheless, the tapioca business division successfully controlled operating costs to generate a segmental profit of approximately HK\$0.7 million for the Period.

Property Investment in Hong Kong

As the Group had sold two units of retail shops in 2007, total rental income generated by investment properties in Hong Kong dropped slightly for the Period as compared with the corresponding period in 2007. During the Period, the Group successfully renewed tenancy agreements for a number of its investment properties at market rates and our investment properties in Hong Kong valued by an independent valuer recorded a gain before tax of around HK\$6.6 million as at 30 June 2008.

Property Investment in Mainland China

During the Period, the Group sold 4 units of the Merry Tower apartments located at Jingan District in Shanghai with sales proceeds of around HK\$19 million (2007: Nil), resulting in a gain of around HK\$5.6 million.

In addition, rental income of HK\$8.3 million (2007: HK\$4.9 million) was generated from investment properties in Mainland China, representing an increase of 69% as compared with the corresponding period last year. The increase was mainly due to the lease of one investment property located at Chang Ning District, Shanghai to a new tenant since May 2007, which generated a monthly rental income of RMB460,000. As at 30 June 2008, there was a gain of around HK\$5.5 million from revaluation of investment properties in Mainland China.

For the Period, the share of profit of the Group's associates of around HK\$4.4 million included the attributable share of fair value gain on investment properties owned by the associates amounting to around HK\$4.8 million deducting from which the Group's attributable share of operating loss of the associates.

PROSPECTS

General Trading

The inventories as at 30 June 2008 mainly represented stock-in-transit which have mostly been supported by profitable sales contracts, with deposits received. For those inventories without committed sales contracts, our marketing team has implemented a marketing plan to clear these inventories in the second half of 2008.

The Group's analysis of fishmeal market reflects that the supply of fishmeal products from Peru to Mainland China market may be limited in coming months. On the demand side, however, fishmeal being the best protein source without perfect substitute, and due to the constant recovery of swine industries in Mainland China, there is firm demand for fishmeal products from major industries at the prevailing market selling prices. As we are the largest Peruvian fishmeal merchant, with the support of our strong marketing team in Mainland China, we are in a strong position to seize more business opportunities from the market.

In the second half of 2008, the Group will continue to monitor tapioca contracts with caution.

Property Investment

In the second half of 2008, due to the continuing sub-prime loan crisis in the United States, the world economy is expecting stagnant growth and the Hong Kong property market is expecting moderate downward adjustment. The Group will be cautious in reviewing the rental rates of our property portfolio and in considering investment opportunities.

In Mainland China, government policy relating to the property market may have an effect on property prices in Shanghai. The Group holds investment properties in Shanghai for rental yield on a long-term basis, and will consider investment opportunities in the Shanghai property market prudently in coming years.

FINANCIAL REVIEW

As at 30 June 2008, the Group's gearing ratio was 18% (31 December 2007: 21%) which is based on the Group's long term bank borrowings of HK\$125 million (31 December 2007: HK\$134 million) and shareholders' equity of HK\$697 million (31 December 2007: HK\$625 million). As at 30 June 2008, total bank balances and cash on hand were HK\$273 million (31 December 2007: HK\$79 million).

As at 30 June 2008, the total bank borrowings of the Group amounted to HK\$479 million (31 December 2007: HK\$293 million) and the maturity profile of the Group's bank borrowings falling due within one year was 74% (31 December 2007: 54%) and more than one year was 26% (31 December 2007: 46%). The Group's borrowings were denominated in HK dollars, US dollars and Renminbi.

The Group adopts prudent policies to hedge exchange rate risk associated with our core business. The majority of our purchases are denominated in US dollars and part of our sales are denominated in Renminbi. In the first half of 2008, the Group entered into a number of forward contracts to hedge the exchange rate risks as deemed necessary.

PLEDGE OF ASSETS

As at 30 June 2008, the Group had available but not yet utilized banking facilities amounting to approximately HK\$355 million (31 December 2007: HK\$465 million). The aforesaid facilities were secured by the following pledged assets approximately: certain prepaid lease payment with aggregate book value of HK\$38 million (31 December 2007: HK\$0.2 million), asset classified as held for sale of HK\$Nil (31 December 2007: HK\$14.9 million), property, plant and equipment of HK\$7.5 million (31 December 2007: HK\$1.2 million), property held for sale of HK\$13 million (31 December 2007: HK\$27 million) and investment properties of HK\$627 million (31 December 2007: HK\$651 million).

CAPITAL INVESTMENT AND COMMITMENTS

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.01 per share for the six months ended 30 June 2008 (2007: HK\$0.01 per share) payable on or about 24 October 2008 to the shareholders of the Company whose names are on the register of members of the Company on 15 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 October 2008 to Wednesday, 15 October 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2008, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 10 October 2008.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed 76 employees (2007: 97) with staff cost for the six months then ended amounting to approximately HK\$7,955,000 (2007: HK\$7,197,000). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account the comparable level in the market.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the Period.

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

As at 30 June 2008, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under 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 were as follows:

Long Position in the Shares of the Company

Name of director	Number of shares interested			Percentage of the issued share capital of the Company
	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"*

Save as disclosed above, as at 30 June 2008, 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 shows that, as at 30 June 2008, the following companies had interests in more than 5% of the Company's issued share capital:

Long Position in the Shares of the Company

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company
	Direct interests	Deemed interests	Total interests	
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 headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations” above) who, as at 30 June 2008, 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.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2008, except for the code provision E.1.2. This code provision stipulates that the chairman of the board of a listed issuer should attend the issuer’s annual general meeting. At the Company’s 2008 annual general meeting held on 23 May 2008, Mr Rustom Ming Yu HO, the Chairman of the Board, was not present since he had another important business engagement. Despite his absence, he had arranged for Mr John Ming Tak HO, the Managing Director of the Company who has been with the Group for over 16 years and is well versed in all the business activities and operations of the Group, to take the chair of the meeting.

AUDIT COMMITTEE

The audit committee, comprising all the three independent non-executive directors of the Company, has reviewed with the management of the Company on the accounting principles and accounting standards adopted by the Group and discussed matters relating to auditing, internal control and financial reporting of the Group.

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.

BOARD OF DIRECTORS

As at the date of this report, Mr Rustom Ming Yu HO (*Chairman*), Mr John Ming Tak HO (*Managing Director*) and Mr Patrick Kwok Wai POON are executive directors of the Company; Ms Daphne HO is a non-executive director of the Company; and Mr Lawrence Kam Kee YU BBS MBE JP, Mr David Hon To YU and Mr Hsu Chou WU are independent non-executive directors of the Company.

On behalf of the Board
John Ming Tak HO
Managing Director

Hong Kong, 24 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
		Unaudited	Unaudited
Revenue	2	738,000	765,331
Cost of sales		(651,399)	(736,801)
Gross profit		86,601	28,530
Other income	4	47,842	66,261
Distribution costs		(56,395)	(58,894)
Administrative expenses		(15,569)	(15,242)
Finance costs	5	(7,935)	(5,904)
Share of results of associates		4,398	17,990
Profit before taxation	6	58,942	32,741
Income tax expense	7	(2,396)	(17,706)
Profit for the period		56,546	15,035
Dividends	8	2,617	2,617
Earnings per share – Basic	9	HK21.61 cents	HK5.75 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2008 <i>HK\$'000</i> Unaudited	At 31 December 2007 <i>HK\$'000</i> Audited
	<i>Notes</i>		
Non-current assets			
Goodwill		3,000	3,000
Investment properties	10	690,708	661,521
Property, plant and equipment		13,414	6,382
Prepaid lease payments		38,111	503
Deposit paid on acquisition of leasehold land and buildings		–	4,466
Interests in associates		97,527	93,098
Loan to an associate		20,609	21,464
Available-for-sale financial assets		3,694	4,101
		867,063	794,535
Current assets			
Properties held for sale		18,259	29,764
Inventories	11	241,738	90,224
Prepaid lease payments		318	5
Trade and other receivables	12	108,436	183,632
Amount due from an associate		42,909	44,003
Financial assets at fair value through profit or loss	13	1,276	–
Bank balances and cash		263,772	70,778
Pledged bank deposit		9,091	8,602
		685,799	427,008
Asset classified as held for sale		–	14,881
		685,799	441,889
Current liabilities			
Trade and bills payables	15	222,627	159,318
Other payables and accrued expenses		59,308	69,568
Financial liabilities at fair value through profit or loss	14	2,037	–
Rental deposits received		6,610	6,510
Borrowings	16	353,925	158,871
Taxation payable		1,311	1,215
		645,818	395,482
Net current assets		39,981	46,407
Total assets less current liabilities		907,044	840,942
Non-current liabilities			
Borrowings	16	124,935	134,435
Deferred tax liabilities	17	85,321	81,322
		210,256	215,757
NET ASSETS		696,788	625,185
Capital and reserves			
Share capital	18	52,337	52,337
Reserves		644,451	572,848
TOTAL EQUITY		696,788	625,185

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> Unaudited	Share premium <i>HK\$'000</i> Unaudited	Exchange reserve <i>HK\$'000</i> Unaudited	Investment revaluation reserve <i>HK\$'000</i> Unaudited	Retained profits <i>HK\$'000</i> Unaudited	Total <i>HK\$'000</i> Unaudited
At 1 January 2008	52,337	19,516	48,439	1,231	503,662	625,185
Exchange difference not recognized in the condensed consolidated income statement	–	–	17,674	–	–	17,674
Net income recognized directly in equity	–	–	17,674	–	–	17,674
Profit for the period	–	–	–	–	56,546	56,546
Total recognized income for the period	–	–	17,674	–	56,546	74,220
Dividend paid	–	–	–	–	(2,617)	(2,617)
At 30 June 2008	52,337	19,516	66,113	1,231	557,591	696,788
At 1 January 2007						
– as originally stated	52,337	19,516	13,457	(596)	483,040	567,754
– prior year adjustment	–	–	(147)	–	(3,984)	(4,131)
– as restated	52,337	19,516	13,310	(596)	479,056	563,623
Exchange difference not recognized in the condensed consolidated income statement	–	–	466	–	–	466
Net income recognized directly in equity	–	–	466	–	–	466
Profit for the period	–	–	–	–	15,035	15,035
Total recognized income for the period	–	–	466	–	15,035	15,501
Dividend paid	–	–	–	–	(2,617)	(2,617)
At 30 June 2007	52,337	19,516	13,776	(596)	491,474	576,507

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Net cash generated from/(used in) operating activities	9,201	(62,822)
Net cash generated from investing activities	3,033	5,444
Net cash generated from financing activities	180,504	60,291
Net increase in cash and cash equivalents	192,738	2,913
Cash and cash equivalents at beginning of period	70,778	57,715
Effect on exchange rate changes	256	2,048
Cash and cash equivalent at end of period	263,772	62,676

NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Listing Rules. These financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2007.

Significant accounting policies

The accounting policies adopted in the preparation of these interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2007, except for the adoption of the following interpretations (“INTs”), which are adopted for the first time in the current period’s financial statements.

HK(IFRIC)-INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the abovementioned accounting standards has had no effect on the results and financial position of the Group for the current or prior accounting periods as prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 27 (Revised)	Consolidated and Separate Consolidated Financial Statements ²
HKAS 32 and HKAS 1 (Amendments)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 13	Customer Loyalty Programmes ³

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 July 2008.*

2. TURNOVER AND SEGMENT INFORMATION

Primary reporting format – business segments

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

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

Secondary reporting format – geographical segments

The Group has been operating in two main geographical areas:

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

There are no sales or other transactions between the geographical segments. Sales are allocated based on the countries in which customers are located. An analysis of the Group's revenue and/or operating results for the six months ended 30 June 2008 and 2007 by business and geographical segments is as follows:

Business segments

	Six months ended 30 June 2008		
	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Group HK\$'000 Unaudited
Revenue			
Sales	703,311	18,919	722,230
Rental income	–	15,770	15,770
	<u>703,311</u>	<u>34,689</u>	<u>738,000</u>
Segment results	<u>16,480</u>	<u>26,342*</u>	42,822
Unallocated income **			<u>19,657</u>
Finance costs (note 5)			62,479
Share of results of associates	–	4,398	(7,935)
			<u>4,398</u>
Profit before taxation			58,942
Income tax expense (note 7)			(2,396)
			<u>(2,396)</u>
Profit for the period			<u>56,546</u>

* The segment result of property investment included fair value gains on investment properties of HK\$12,121,000 (2007: HK\$62,352,000).

** Unallocated income included the gain on disposal of office premises of HK\$21,604,000, net of unallocated expenses.

2. TURNOVER AND SEGMENT INFORMATION (Cont'd)

Business segments

	Six months ended 30 June 2007		
	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Group HK\$'000 Unaudited
Revenue			
Sales	751,948	–	751,948
Rental income	–	13,383	13,383
	<u>751,948</u>	<u>13,383</u>	<u>765,331</u>
Segment results	<u>(46,670)</u>	<u>68,173*</u>	21,503
Unallocated expenses			<u>(848)</u>
Finance costs (note 5)			20,655
Share of results of associates	–	17,990	<u>(5,904)</u>
Profit before taxation			32,741
Income tax expense (note 7)			<u>(17,706)</u>
Profit for the period			<u>15,035</u>

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

Geographical segments

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Unaudited
Revenue		
Hong Kong	7,412	8,034
Mainland China	<u>730,588</u>	<u>757,297</u>
	<u>738,000</u>	<u>765,331</u>

3. SEASONALITY OF OPERATIONS

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

4. OTHER INCOME

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interest income	5,359	1,443
Gain on disposal of assets classified as held for sale	21,604	–
Realised gain on financial assets at fair value through profit or loss	–	478
Exchange gain, net	7,534	–
Fair value gains on investment properties*	12,121	62,352
Others	1,224	1,988
	<u>47,842</u>	<u>66,261</u>

* Investment properties of the Group were revalued at 30 June 2008 by an independent professional qualified valuer, A.G. Wilkinson & Associates. Valuations were based on current prices in an active market or discounted cash flow projections.

5. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interest on bank borrowings wholly repayable within five years	5,884	5,304
Interest on borrowings repayable over five years	2,051	600
	<u>7,935</u>	<u>5,904</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Employee benefits expenses		
Wages and salaries	7,823	7,094
Retirement benefits costs-defined contribution plan	132	103
Depreciation	647	682
Amortization of prepaid lease payments included		
in property held for sale	–	39
Amortization of prepaid lease payments	82	8
Change in fair value of derivative financial instruments	761	–
(Reversal)/Allowance of doubtful debts	(167)	740
Write-down of inventories to net realizable value	11,572	41,892
Exchange loss, net	–	1,483
Freight charges	42,443	43,736
	<u>42,443</u>	<u>43,736</u>

7. INCOME TAX EXPENSE

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

The major components of income tax expenses are:

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Current income tax:		
Hong Kong profits tax	–	–
Deferred taxation:		
Origination and reversal of temporary differences in respect of revaluation of investment properties	<u>2,396</u>	<u>17,706</u>
Total income tax charge for the period	<u>2,396</u>	<u>17,706</u>

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

8. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Interim dividend paid of HK\$0.01 (2007: HK\$0.01) per ordinary share	<u>2,617</u>	<u>2,617</u>

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to equity holders of the Company	<u>56,546</u>	<u>15,035</u>

	Number of shares	
	2008	2007
	Unaudited	Unaudited
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>261,684,910</u>	<u>261,684,910</u>
Basic earnings per share	<u>HK21.61 cents</u>	<u>HK5.75 cents</u>

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

10. INVESTMENT PROPERTIES

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
At fair value		
At beginning of period	661,521	601,163
Change in fair value (Note 4)	12,121	98,850
Transfer from land and building	305	–
Disposal	–	(58,900)
Exchange differences	16,761	20,408
	<u>690,708</u>	<u>661,521</u>
Balance sheet date	<u>690,708</u>	<u>661,521</u>

Investment properties were revalued at 30 June 2008 by an independent professional qualified valuer, A.G. Wilkinson & Associates. Valuations were based on current prices in an active market or discounted cash flow projections.

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

11. INVENTORIES

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Finished goods, at cost	253,674	90,588
Less: provision to reduce inventories to net realizable value	(11,936)	(364)
	<u>241,738</u>	<u>90,224</u>

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Bills receivables	74,919	145,353
Trade receivables	10,310	14,723
	<u>85,229</u>	<u>160,076</u>
Provision for impairment of receivables	(4,213)	(4,325)
	<u>81,016</u>	<u>155,751</u>
Prepayments and deposits	20,496	25,334
Other receivables	6,924	2,547
	<u>108,436</u>	<u>183,632</u>

12. TRADE AND OTHER RECEIVABLES (Cont'd)

The Group allows a credit period ranging from 30 to 90 days to its customers in respect of general trading. The ageing analysis of the trade and bills receivables is as follows:

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
0-30 days	76,614	151,789
31-60 days	208	614
61-90 days	227	4
Over 90 days	3,967	3,344
	<u>81,016</u>	<u>155,751</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Derivative financial instruments, at market value – forward foreign exchange contracts	<u>1,276</u>	<u>–</u>

14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Derivative financial instruments, at market value – forward foreign exchange contracts	<u>2,037</u>	<u>–</u>

15. TRADE AND BILLS PAYABLES

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Bills payables	215,702	145,353
Trade payables	6,925	13,965
	<u>222,627</u>	<u>159,318</u>

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

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
0-30 days	222,580	158,737
31-60 days	–	–
Over 60 days	47	581
	<u>222,627</u>	<u>159,318</u>

16. BORROWINGS

	At 30 June 2008 <i>HK\$'000</i> Unaudited	At 31 December 2007 <i>HK\$'000</i> Audited
Secured		
Bank loans	338,579	163,695
Trust receipt loans	124,456	89,618
Discounted bills receivables with recourse	15,825	39,993
	<u>478,860</u>	<u>293,306</u>
	At 30 June 2008 <i>HK\$'000</i> Unaudited	At 31 December 2007 <i>HK\$'000</i> Audited
Within 1 year	353,925	158,871
Between 1 and 2 years	12,343	34,187
Between 2 and 5 years	49,183	45,231
	<u>415,451</u>	<u>238,289</u>
Wholly repayable within 5 years	63,409	55,017
	<u>478,860</u>	<u>293,306</u>

The carrying amounts of borrowings approximate their fair value.

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

	At 30 June 2008 <i>HK\$'000</i> Unaudited	At 31 December 2007 <i>HK\$'000</i> Audited
Renminbi	<u>227,517</u>	<u>57,393</u>

The Group has the following undrawn borrowing facilities:

	At 30 June 2008 <i>HK\$'000</i> Unaudited	At 31 December 2007 <i>HK\$'000</i> Audited
Floating rate:		
– expiring within one year	<u>355,465</u>	<u>464,839</u>

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

17. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007 – audited	4,759	74,360	(3,339)	75,780
Exchange realignment	288	1,306	–	1,594
(Credit) charge to condensed 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)
	<u>4,294</u>	<u>79,767</u>	<u>(2,739)</u>	<u>81,322</u>
At 31 December 2007 – audited	4,294	79,767	(2,739)	81,322
Exchange realignment	204	1,399	–	1,603
Charge to condensed consolidated income statement for the period (<i>Note 7</i>)	–	2,396	–	2,396
	<u>–</u>	<u>2,396</u>	<u>–</u>	<u>2,396</u>
At 30 June 2008 – unaudited	<u>4,498</u>	<u>83,562</u>	<u>(2,739)</u>	<u>85,321</u>

At the balance sheet date, the Company has unused tax losses of HK\$140,244,000 (2007: HK\$156,952,000) available for offset against future profits. A deferred tax asset of approximately HK\$2,739,000 (2007: HK\$2,739,000) has been recognized in respect of approximately HK\$15,651,000 (2007: HK\$15,651,000) of such losses.

No deferred tax asset has been recognized in respect of the remaining HK\$124,593,000 (2007: HK\$141,315,000) of such losses due to the unpredictability of future profit streams. Losses amounting to HK\$13,474,000 (2007: HK\$7,455,000) will expire from 2009 to 2014 and losses amounting to HK\$126,770,000 (2007: HK\$149,497,000) have no expiry date.

18. SHARE CAPITAL

	At 30 June 2008 Unaudited	At 31 December 2007 Audited
Authorized:		
500,000,000 (2007: 500,000,000) Ordinary shares of HK\$0.2 each	<u>HK\$100,000,000</u>	<u>HK\$100,000,000</u>
Issued and fully paid:		
261,684,910 (2007: 261,684,910) Ordinary shares of HK\$0.2 each	<u>HK\$52,336,982</u>	<u>HK\$52,336,982</u>

19. RELATED PARTIES TRANSACTIONS

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

Related party relationship	Nature of transaction	Six months ended 30 June	
		2008 HK\$'000 Unaudited	2007 HK\$'000 Unaudited
Key management personnel, including directors	Salaries and other short-term employee benefits	<u>4,107</u>	<u>3,646</u>
An associate	Interest income on loan to and amount due from the associate	<u>32</u>	<u>230</u>

20. CAPITAL COMMITMENTS

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Capital commitments:		
Contracted for but not provided:		
Acquisition of property, plant and equipment	–	38,325
Capital contribution to a subsidiary	–	1,170
	<u>–</u>	<u>39,495</u>

21. OPERATING LEASE ARRANGEMENTS

	At 30 June 2008 HK\$'000 Unaudited	At 31 December 2007 HK\$'000 Audited
Future aggregate minimum lease payments and receipts under non-cancellable operating leases in respect of land and buildings and investment properties are as follows:		
As lessees:		
Rental payments		
– Within one year	1,012	648
– In the second to fifth year inclusive	153	–
	<u>1,165</u>	<u>648</u>
As lessors:		
Rental receipts		
– Within one year	30,830	25,207
– In the second to fifth year inclusive	74,524	56,450
– Over five years	24,747	39,267
	<u>130,101</u>	<u>120,924</u>