



GREAT CHINA

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# GREAT CHINA HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 0141)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE 2009

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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 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company and its subsidiaries (collectively, the “Group”) achieved encouraging results during the six months ended 30 June 2009 (the “Period”). The Group’s net profit for the Period was approximately HK\$61.9 million (2008: HK\$56.5 million), representing an increase of around 10% from the corresponding period in 2008.

The Group’s revenue and results from its various operating segments for the Period as compared with the corresponding period in 2008 are set out below:

## REVENUE AND RESULTS BY OPERATING SEGMENTS

	Revenue		Profit	
	Six months ended 30 June 2009	2008	Six months ended 30 June 2009	2008
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	Unaudited	Unaudited	Unaudited	Unaudited
Fishmeal Products	951	648	24.0	15.8
Tapioca Products	8	55	–	0.7
General Trading	959	703	24.0	16.5
Property Investment in Hong Kong	8	7	28.0	13.7
Property Investment in Mainland China	8	9	20.2	7.9
Trading of Properties	–	19	–	4.7
	16	35	48.2	26.3
Total	975	738	72.2	42.8
Net profit of the Group			61.9	56.5

The Group’s net profit for the Period increased by around 10% to HK\$61.9 million as compared with the corresponding period in 2008. The increase was mainly due to the increase in sales revenue of the trading of the fishmeal products by around 47% as compared with the corresponding period in 2008. There was a segmental profit for the trading of fishmeal products of around HK\$24.0 million for the Period as compared to a segmental profit of around HK\$15.8 million for the corresponding period in 2008. In addition, the property investment segment recorded a profit of HK\$48.2 million as compared with HK\$21.6 million in the corresponding period of 2008. Excluding the revaluation gain on investment properties of HK\$35.4 million (2008: HK\$12.1 million), the profit from this segment was HK\$12.8 million (2008: HK\$9.5 million). There was no transaction in the trading of properties segment in the Period (2008: turnover of HK\$19 million with a profit of HK\$4.7 million).

## **BUSINESS REVIEW**

### **General Trading**

#### *Fishmeal Products*

Since mid 2008, as a result of the global financial turmoil, most of the commodities prices were substantially adjusted downward. Fishmeal products prices were also affected and were reduced by approximately 20% to 25%. Despite the slowdown of the worldwide economy, China consumed more fishmeal products in the last quarter of 2008 and this has caused an upsurge in demand of the products. The cost of fishmeal products was relatively low compared to other vegetable proteins and the attractive price of fishmeal products increased demand further. However, many of the Chinese traders were cautious in maintaining low fishmeal inventory level in the last quarter of 2008 and the first quarter of 2009. This has limited the supply of fishmeal products into the China market. As a result, prices of fishmeal products have been on a rising trend since the second quarter of 2009. This has enabled the Group to maintain steady growth in fishmeal products trading despite the current adverse economic climate.

#### *Tapioca Products*

The Thailand government changed its policies in collecting tapioca product chips from farmers in early 2009. Accordingly the supply of tapioca products slowed down substantially. This has affected the Group's trading volume in this segment, hence there is no profit derived therefrom.

### **Property Investment in Hong Kong**

Properties held by the Group in Hong Kong were fully let during the Period and the Group successfully renewed tenancy agreements for a number of its investment properties at market rate. Our investment properties in Hong Kong as valued by an independent valuer recorded a gain before tax of around HK\$20.1 million as at 30 June 2009.

### **Property Investment and properties held for sale in Mainland China**

Investment properties in Mainland China generated rental income of HK\$8 million during the Period (2008: HK\$9 million), a decrease of 11% as compared with the same period last year. There was no sale of properties held for sale in Mainland China in the Period (2008: HK\$19 million). As at 30 June 2009, there was a gain of around HK\$15.3 million from revaluation of investment properties in Mainland China.

For the Period, the share of profit of the Group's associates was around HK\$6.5 million (2008: HK\$4.4 million), which included the attributable share of HK\$5.8 million (2008: HK\$3.7 million) of fair value gain on investment properties owned by an associate in Mainland China.

## **PROSPECTS**

### **General Trading**

As fishmeal is one of the best protein sources amongst animal proteins and there is no other substitute of identical value currently, consumers continue to use large quantities of fishmeal in various important animal feed manufacturing industries.

The Group's analysis of the fishmeal market shows an increase in worldwide demand of fishmeal products amidst disappointing production of fishmeal from some major origin countries. The rising trend of prices of fishmeal products may continue and consumption of fishmeal in Mainland China in the second half of 2009 will maintain at a similar level as the corresponding period in 2008. With the support of our strong trading and marketing teams in Hong Kong and Mainland China, the Group expects fishmeal trading to bring in a positive contribution this year.

The new crop of tapioca will be available in the market around the last quarter of 2009 and the Group expects supply will probably exceed demand until the end of 2009. However, there is an uncertainty on current inventory levels of tapioca chips in Thailand. The Group will be more cautious in the trading of tapioca for the coming seasons.

### **Property Investment**

The Mainland economy is expected to grow steadily this year, mainly supported by the government's fiscal stimulus package and monetary easing policy. The Hong Kong economy is poised to benefit from the Mainland's growth prospects and supportive policies. The Group's rental income in Hong Kong and Shanghai is expected to remain stable.

In the long run, the Group will continue to monitor market conditions and consider attractive investment opportunities in Hong Kong and Mainland China, as appropriate.

### **FINANCIAL REVIEW**

As at 30 June 2009, the Group's gearing ratio was 18% (31 December 2008: 17%), which was based on the Group's long term bank borrowings of HK\$138 million (31 December 2008: HK\$122 million) and shareholders' equity of HK\$760 million (31 December 2008: HK\$698 million). As at 30 June 2009, total bank balances and cash on hand were HK\$104 million (31 December 2008: HK\$164 million).

As at 30 June 2009, the total bank borrowings of the Group amounted to HK\$189 million (31 December 2008: HK\$353 million) and the maturity profile of the Group's bank borrowings falling due within one year was 27% (31 December 2008: 65%) and more than one year was 73% (31 December 2008: 35%). 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. All of our purchases are denominated in US dollars and part of our sales are denominated in Renminbi. In the first half of 2009, the Group entered into a forward contract to hedge the exchange rate risks as deemed necessary.

### **PLEDGE OF ASSETS**

As at 30 June 2009, the Group had available but not yet utilized banking facilities amounting to approximately HK\$331 million (31 December 2008: HK\$529 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 2008: HK\$38 million); property, plant and equipment of HK\$6.1 million (31 December 2008: HK\$6.1 million); properties held for sale of HK\$12.5 million (31 December 2008: HK\$12.5 million) and investment properties of HK\$629 million (31 December 2008: HK\$611 million).

### **CAPITAL INVESTMENT AND COMMITMENTS**

Subsequent to the reporting period, a wholly owned subsidiary of the Company acquired an investment property in Tsimshatsui at a consideration of HK\$36,457,000.

### **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.01 per share, amounting to HK\$2,616,849 in total, for the six months ended 30 June 2009 (2008: HK\$0.01 per share) payable on or around 23 October 2009 to the shareholders of the Company whose names are on the register of members of the Company on 16 October 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 October 2009 to Friday, 16 October 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to interim dividend for the six months ended 30 June 2009, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are 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 Tuesday, 13 October 2009.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Group employed 88 employees (2008: 76) with staff cost for the six months then ended amounting to HK\$10,289,000 (2008: HK\$7,955,000). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account the comparable levels 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, the Company has received confirmation from all directors that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2009.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries 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 ASSOCIATION CORPORATIONS

As at 30 June 2009, 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, 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" below.

Save as disclosed above, as at 30 June 2009, 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 30 June 2009, the following companies had interests in more than 5% of the Company's issued share capital:

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

<b>Name of substantial shareholder</b>	<b>Number of shares interested</b>			<b>Percentage of the issued share capital of the Company</b>
	<b>Direct interests</b>	<b>Deemed interests</b>	<b>Total interests</b>	
Fulcrest Limited	138,347,288	–	138,347,288	52.87%
Asian Pacific Investment Corporation	–	138,347,288 <i>(Note)</i>	138,347,288	52.87%
Kwong Fong Holdings Limited	710,000	138,347,288 <i>(Note)</i>	139,057,288	53.14%
Kwong Fong Industries Corporation	8,680,000	139,057,288 <i>(Note)</i>	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 30 June 2009, had an interest or 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 to the Listing Rules for the six months ended 30 June 2009.

## 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), Mr. Patrick Kwok Wai POON and Mr. Maung Tun MYINT as Executive Directors; Ms. Daphne HO as a Non-executive Director; and Mr. Lawrence Kam Kee YU *BBS MBE JP*, Mr. David Hon To YU and Mr. Hsu Chou WU as Independent Non-executive Directors of the Company.

On behalf of the Board  
**John Ming Tak HO**  
*Managing Director*

Hong Kong, 23 September 2009

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2009 <i>HK\$'000</i> Unaudited	2008 <i>HK\$'000</i> Unaudited
<b>Revenue</b>	2	<b>974,711</b>	738,000
Cost of sales		<u>(864,614)</u>	<u>(651,399)</u>
<b>Gross profit</b>		<b>110,097</b>	86,601
Other income	4	<b>7,315</b>	14,117
Net gain on investment properties		<b>35,378</b>	12,121
Net loss on financial assets at fair value through profit or loss		<b>(1,127)</b>	(761)
Gain on disposal of assets classified as held for sale		–	21,604
Distribution costs		<b>(66,676)</b>	(56,395)
Administrative expenses		<b>(19,434)</b>	(14,808)
Finance costs	5	<b>(4,666)</b>	(7,935)
Share of results of associates		<u><b>6,506</b></u>	<u>4,398</u>
<b>Profit before taxation</b>	6	<b>67,393</b>	58,942
Income tax expense	7	<u><b>(5,516)</b></u>	<u>(2,396)</u>
<b>Profit for the period</b>		<u><b>61,877</b></u>	<u>56,546</u>
<b>Earnings per share – Basic</b>	8	<u><b>HK23.65 cents</b></u>	<u>HK21.61 cents</u>



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Profit for the period	<u>61,877</u>	<u>56,546</u>
<b>Other comprehensive income</b>		
Net gains recognized directly in equity		
Exchange translation difference	<b>1,860</b>	17,674
Change in fair value of available-for-sale financial assets	<u>670</u>	<u>–</u>
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b><u>64,407</u></b>	<b><u>74,220</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
<b>Non-current assets</b>			
Goodwill		3,000	3,000
Investment properties	9	711,166	675,092
Property, plant and equipment		14,946	15,898
Prepaid lease payments for land		37,784	37,945
Interests in associates		113,109	106,660
Loan to an associate		16,453	17,358
Available-for-sale financial assets		2,264	1,635
		<b>898,722</b>	857,588
<b>Current assets</b>			
Properties held for sale		16,373	16,317
Inventories	10	154,274	120,371
Prepaid lease payments for land		323	323
Trade and other receivables	11	168,090	92,530
Amount due from an associate		44,598	44,596
Financial assets at fair value through profit or loss	12	11,088	7,735
Bank balances and cash		103,960	164,065
		<b>498,706</b>	445,937
<b>Current liabilities</b>			
Trade and bills payables	13	281,591	115,838
Other payables and accrued expenses		70,907	46,452
Rental deposits received		153	83
Borrowings	14	51,294	230,815
Taxation payable		1,903	1,901
		<b>405,848</b>	395,089
<b>Net current assets</b>		<b>92,858</b>	50,848
<b>Total assets less current liabilities</b>		<b>991,580</b>	908,436
<b>Non-current liabilities</b>			
Borrowings	14	137,530	121,755
Rental deposits received		7,185	7,190
Deferred tax liabilities	15	87,305	81,721
		<b>232,020</b>	210,666
<b>NET ASSETS</b>		<b>759,560</b>	697,770
<b>Capital and reserves</b>			
Share capital	16	52,337	52,337
Reserves		707,223	645,433
<b>TOTAL EQUITY</b>		<b>759,560</b>	697,770

## 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	Properties revaluation 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 2009	52,337	19,516	76,432	495	–	548,990	697,770
Profit for the period	–	–	–	–	–	61,877	61,877
Other comprehensive income	–	–	1,860	–	670	–	2,530
<b>Total comprehensive income for the period</b>	–	–	1,860	–	670	61,877	64,407
Dividend ( <i>note 17</i> )	–	–	–	–	–	(2,617)	(2,617)
<b>At 30 June 2009</b>	<b>52,337</b>	<b>19,516</b>	<b>78,292</b>	<b>495</b>	<b>670</b>	<b>608,250</b>	<b>759,560</b>
At 1 January 2008	52,337	19,516	48,439	–	1,231	503,662	625,185
Profit for the period	–	–	–	–	–	56,546	56,546
Other comprehensive income	–	–	17,674	–	–	–	17,674
<b>Total comprehensive income for the period</b>	–	–	17,674	–	–	56,546	74,220
Dividend ( <i>note 17</i> )	–	–	–	–	–	(2,617)	(2,617)
<b>At 30 June 2008</b>	<b>52,337</b>	<b>19,516</b>	<b>66,113</b>	<b>–</b>	<b>1,231</b>	<b>557,591</b>	<b>696,788</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Net cash generated from operating activities	<b>100,101</b>	9,201
Net cash generated from investing activities	<b>6,223</b>	3,033
Net cash (used in) / generated from financing activities	<b>(166,363)</b>	180,504
Net (decrease) / increase in cash and cash equivalents	<b>(60,039)</b>	192,738
Cash and cash equivalents at beginning of period	<b>164,065</b>	70,778
Effect on exchange rate changes	<b>(66)</b>	256
Cash and cash equivalents at end of period	<b><u>103,960</u></b>	<b><u>263,772</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of preparation

The unaudited interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Listing Rules. These financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2008.

#### Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim financial statements for the six months ended 30 June 2009 are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the adoption of the following new and revised standards, amendments to HKAS and new Hong Kong (IFRIC) Interpretations (“HK(IFRIC) – Int”) (collectively referred to as “new and revised HKFRSs”) issued by the HKICPA, which are adopted for the first time in the current period’s financial statements.

#### *HKFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)*

HKFRS 8 is a disclosure standard. The application of HKFRS 8 has not resulted in a re-designation of the Group’s reportable segments as they are comparable with the primary reportable segments determined in accordance with HKAS 14.

#### *HKAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)*

The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

The following amendments and interpretations issued by HKICPA are or have become effective and did not have any material impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HK(IFRIC) - Int 9 & HKAS 39 (Amendment)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation

## 2. TURNOVER AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers which are used to make strategic decisions.

The Group has been organising on a worldwide basis into three main operating segments:

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

	Six months ended 30 June 2009			Consolidated HK\$'000 Unaudited
	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Trading of properties HK\$'000 Unaudited	
Revenue				
Sales	958,712	–	–	958,712
Rental income	–	15,999	–	15,999
	<u>958,712</u>	<u>15,999</u>	<u>–</u>	<u>974,711</u>
Segment results	<u>24,040</u>	<u>48,158*</u>	<u>–</u>	72,198
Unallocated expenses				<u>(6,645)</u>
				65,553
Finance costs (note 5)				(4,666)
Share of results of associates	–	6,506	–	<u>6,506</u>
Profit before taxation				67,393
Income tax expense (note 7)				<u>(5,516)</u>
Profit for the period				<u>61,877</u>

\* The segment result of property investment included fair value gains on investment properties of HK\$35,378,000 (2008: HK\$12,121,000).

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

	Six months ended 30 June 2008			Consolidated HK\$'000 Unaudited
	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Trading of properties HK\$'000 Unaudited	
Revenue				
Sales	703,311	–	18,919	722,230
Rental income	–	15,770	–	15,770
	<u>703,311</u>	<u>15,770</u>	<u>18,919</u>	<u>738,000</u>
Segment results	<u>16,480</u>	<u>21,633*</u>	<u>4,709</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>56,546</u>

\* The segment result of property investment included fair value gains on investment properties of HK\$12,121,000.

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

An analysis of the Group's assets by operating segment is set out below:

At 30 June 2009	General trading HK\$'000 Unaudited	Property investment HK\$'000 Unaudited	Trading of properties HK\$'000 Unaudited	Consolidated HK\$'000 Unaudited
<b>ASSETS</b>				
Segment assets	402,932	742,057	16,373	1,161,362
Interests in associates	–	113,109	–	113,109
Loan to an associate	–	16,453	–	16,453
Amount due from an associate	–	44,598	–	44,598
Unallocated corporate assets				<u>61,906</u>
Consolidated total assets				<u>1,397,428</u>

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

At 31 December 2008	General trading <i>HK\$'000</i> Audited	Property investment <i>HK\$'000</i> Audited	Trading of properties <i>HK\$'000</i> Audited	Consolidated <i>HK\$'000</i> Audited
<b>ASSETS</b>				
Segment assets	371,455	692,920	16,317	1,080,692
Interests in associates	–	106,660	–	106,660
Loan to an associate	–	17,358	–	17,358
Amount due from an associate	–	44,596	–	44,596
Unallocated corporate assets				54,219
Consolidated total assets				<u>1,303,525</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	
	2009 <i>HK\$'000</i> Unaudited	2008 <i>HK\$'000</i> Unaudited
Bank interest income	5,437	5,359
Exchange gain, net	–	7,534
Sundry income	1,878	1,224
	<u>7,315</u>	<u>14,117</u>

## 5. FINANCE COSTS

	Six months ended 30 June	
	2009 <i>HK\$'000</i> Unaudited	2008 <i>HK\$'000</i> Unaudited
Interest on bank loans wholly repayable within five years	3,817	5,884
Interest on bank loans repayable over five years	849	2,051
	<u>4,666</u>	<u>7,935</u>



## 6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Employee benefits expenses		
Wages and salaries	10,170	7,823
Retirement benefits costs-defined contribution plan	119	132
Auditor's remuneration	600	-
Depreciation of property, plant and equipment	1,065	647
Amortization of prepaid lease payments for land	161	82
Net loss on financial assets at fair value through profit or loss	1,127	761
Allowance for/(Reversal of) doubtful debts	308	(167)
Write-down of inventories to net realizable value	-	11,572
Exchange loss, net	282	-
Freight charges	41,123	42,443
	<u>41,123</u>	<u>42,443</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	
	2009	2008
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current tax:		
Hong Kong and other jurisdictions profit tax	-	-
Deferred taxation:		
Origination and reversal of temporary differences in respect of revaluation of investment properties	5,516	2,396
Total tax expenses for the period	<u>5,516</u>	<u>2,396</u>

## 8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to equity holders of the Company	<u>61,877</u>	<u>56,546</u>

## 8. EARNINGS PER SHARE (Cont'd)

	Number of shares	
	2009	2008
	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>HK23.65 cents</u>	<u>HK21.61 cents</u>

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

## 9. INVESTMENT PROPERTIES

	At 30 June 2009 HK\$'000 Unaudited	At 31 December 2008 HK\$'000 Audited
At fair value		
At beginning of period	675,092	661,521
Change in fair value	35,378	(3,372)
Transfer from property, plant and equipment	–	216
Transfer from prepaid lease payments	–	584
Exchange differences	<u>696</u>	<u>16,143</u>
	<u>711,166</u>	<u>675,092</u>

Investment properties were revalued at 30 June 2009 by an independent professionally qualified valuer, A.G. Wilkinson & Associates. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and capitalization of net income by reference to market yield of similar properties.

The period of lease whereby the Group leases out its investment properties under operating leases is one year or more.

## 10. INVENTORIES

	At 30 June 2009 HK\$'000 Unaudited	At 31 December 2008 HK\$'000 Audited
Finished goods, at cost	154,274	125,069
Less: write-down of inventories to net realizable value	–	(4,698)
	<u>154,274</u>	<u>120,371</u>

## 11. TRADE AND OTHER RECEIVABLES

	At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
Trade and bills receivables	146,580	64,533
Allowance for doubtful debts	<u>(2,771)</u>	<u>(2,559)</u>
	<u>143,809</u>	<u>61,974</u>
Prepayments and deposits	13,133	19,327
Other receivables	<u>11,148</u>	<u>11,229</u>
	<u><u>168,090</u></u>	<u><u>92,530</u></u>

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 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
0-30 days	140,642	53,810
31-60 days	1,370	6,528
61-90 days	774	193
Over 90 days	<u>1,023</u>	<u>1,443</u>
	<u><u>143,809</u></u>	<u><u>61,974</u></u>

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
Financial assets, at market value		
– convertible securities	10,996	–
– forward foreign exchange contracts	<u>92</u>	<u>7,735</u>
	<u><u>11,088</u></u>	<u><u>7,735</u></u>

### 13. TRADE AND BILLS PAYABLES

	At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
Bills payables	249,989	112,946
Trade payables	31,602	2,892
	<u>281,591</u>	<u>115,838</u>

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

	At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
0-30 days	209,451	69,878
31-60 days	57,890	45,392
Over 60 days	14,250	568
	<u>281,591</u>	<u>115,838</u>

### 14. BORROWINGS

	At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
<b>Secured</b>		
Bank loans	150,163	280,835
Trust receipt loans	9,173	71,735
Discounted bills receivables with full recourse	29,488	–
	<u>188,824</u>	<u>352,570</u>
	<u>188,824</u>	<u>352,570</u>
	At 30 June 2009 <i>HK\$'000</i> Unaudited	At 31 December 2008 <i>HK\$'000</i> Audited
On demand or within 1 year	51,294	230,815
Between 1 and 2 years	21,869	12,618
Between 2 and 5 years	62,362	49,799
	<u>135,525</u>	<u>293,232</u>
Wholly repayable within 5 years	135,525	293,232
More than 5 years	53,299	59,338
	<u>188,824</u>	<u>352,570</u>

The carrying amounts of borrowings approximate their fair value.

#### 14. BORROWINGS (Cont'd)

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

	<b>At 30 June 2009 HK\$'000 Unaudited</b>	At 31 December 2008 HK\$'000 Audited
Hong Kong dollars	<u><b>42,098</b></u>	<u>45,058</u>

The Group has the following undrawn borrowing facilities:

	<b>At 30 June 2009 HK\$'000 Unaudited</b>	At 31 December 2008 HK\$'000 Audited
Floating rate: – expiring within one year	<u><b>330,735</b></u>	<u>529,319</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2009.

#### 15. DEFERRED TAXATION

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:

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Revaluation of investment properties HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2008 - audited	4,294	79,767	(2,739)	81,322
Exchange realignment	193	1,278	–	1,471
Charge to condensed consolidated income statement for the year	927	229	806	1,962
Effect of change in tax rate	<u>(40)</u>	<u>(3,151)</u>	<u>157</u>	<u>(3,034)</u>
At 31 December 2008 - audited	5,374	78,123	(1,776)	81,721
Exchange realignment	11	57	–	68
Charge to condensed consolidated income statement for the period (note 7)	<u>105</u>	<u>5,516</u>	<u>(105)</u>	<u>5,516</u>
At 30 June 2009 – unaudited	<u><b>5,490</b></u>	<u><b>83,696</b></u>	<u><b>(1,881)</b></u>	<u><b>87,305</b></u>

At the balance sheet date, the Company has unused tax losses of HK\$141,736,000 (2008: HK\$145,962,000) available for offset against future profits. A deferred tax asset of approximately HK\$1,881,000 (2008: HK\$1,776,000) has been recognized in respect of approximately HK\$11,400,000 (2008: HK\$10,765,000) of such losses.

No deferred tax asset has been recognized in respect of the remaining HK\$130,336,000 (2008: HK\$135,197,000) of such losses due to the unpredictability of future profit streams. Losses amounting to HK\$18,170,000 (2008: HK\$24,722,000) will expire from 2010 to 2013 and losses amounting to HK\$123,566,000 (2008: HK\$121,240,000) have no expiry date.

## 16. SHARE CAPITAL

	At 30 June 2009 Unaudited	At 31 December 2008 Audited
Authorized:		
500,000,000 (2008: 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 (2008: 261,684,910) Ordinary shares of HK\$0.2 each	<u>HK\$52,336,982</u>	<u>HK\$52,336,982</u>

## 17. DIVIDENDS

	Six months ended 30 June 2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Final dividend paid for 2008 of HK\$0.01 (2008: Final dividend paid for 2007 of HK\$0.01) per ordinary share	<u>2,617</u>	<u>2,617</u>

## 18. RELATED PARTIES TRANSACTIONS

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

Related party relationship	Nature of transaction	Unaudited	
		Six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Key management personnel, including directors	Salaries and other short-term employee benefits	<u>3,895</u>	<u>4,107</u>

## 19. OPERATING LEASE ARRANGEMENTS

	At 30 June 2009 HK\$'000 Unaudited	At 31 December 2008 HK\$'000 Audited
Future aggregate minimum lease payments and receipts under non-cancelable operating leases in respect of land and buildings and investment properties are as follows:		
As lessees:		
Rental payments		
– Within one year	411	399
– In the second to fifth year inclusive	88	115
	<u>499</u>	<u>514</u>
As lessors:		
Rental receipts		
– Within one year	27,242	28,183
– In the second to fifth year inclusive	51,597	63,659
– Over five years	21,558	22,627
	<u>100,397</u>	<u>114,469</u>

## 20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, a wholly owned subsidiary of the Company entered into an agreement to acquire an investment property at a consideration of HK\$36,457,000.