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## GREAT CHINA HOLDINGS LIMITED

大中華集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 141)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the “Board”) of Great China Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in 2009.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
<b>Revenue</b>	2	<b>1,129,063</b>	974,711
Cost of sales		<b>(1,023,610)</b>	(864,614)
<b>Gross profit</b>		<b>105,453</b>	110,097
Other income	4	<b>10,229</b>	7,315
Increase in fair value of investment properties		<b>44,193</b>	35,378
Change in fair value of financial assets designated at fair value through profit or loss		<b>661</b>	522
Change in fair value of derivative financial instruments		<b>1,783</b>	(1,649)
Distribution costs		<b>(76,306)</b>	(66,676)
Administrative expenses		<b>(15,956)</b>	(19,434)
Finance costs	5	<b>(4,397)</b>	(4,666)
Share of results of associates		<b>8,537</b>	6,506
<b>Profit before taxation</b>	6	<b>74,197</b>	67,393
Income tax expense	7	<b>(7,536)</b>	(5,516)
<b>Profit for the period attributable to owners of the Company</b>		<b>66,661</b>	61,877
<b>Earnings per share – Basic</b>	8	<b>HK25.47 cents</b>	HK23.65 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Profit for the period	<u>66,661</u>	<u>61,877</u>
<b>Other comprehensive income</b>		
Exchange difference arising on translation	5,936	1,860
Increase in fair value of available-for-sale financial assets	<u>365</u>	<u>670</u>
Other comprehensive income for the period	<u>6,301</u>	<u>2,530</u>
<b>Total comprehensive income attributable to owners of the Company</b>	<u><u>72,962</u></u>	<u><u>64,407</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At <b>30 June</b> <b>2010</b> <i>HK\$'000</i> <b>Unaudited</b>	At 31 December 2009 <i>HK\$'000</i> Audited (Restated)
<b>Non-current assets</b>			
Goodwill		3,000	3,000
Investment properties		816,546	730,215
Property, plant and equipment	<i>1(c)</i>	51,217	51,758
Prepaid lease payments for land	<i>1(c)</i>	280	283
Deposit paid for acquisition of an investment property		–	9,114
Interests in associates		127,762	119,201
Loan to an associate		16,824	16,547
Available-for-sale financial assets		<u>3,705</u>	<u>3,340</u>
		<b><u>1,019,334</u></b>	<b><u>933,458</u></b>
<b>Current assets</b>			
Properties held for sale		17,246	16,928
Inventories		364,024	78,126
Prepaid lease payments for land	<i>1(c)</i>	4	4
Trade and other receivables	<i>9</i>	240,076	308,180
Amount due from an associate		45,507	44,616
Financial assets designated at fair value through profit or loss	<i>10</i>	–	21,085
Derivative financial assets	<i>11</i>	3,091	652
Bank balances and cash		82,833	97,693
Pledged bank deposit		<u>375,720</u>	<u>148,329</u>
		<b><u>1,128,501</u></b>	<b><u>715,613</u></b>
Assets classified as held for sale		<u>–</u>	<u>2,672</u>
		<b><u>1,128,501</u></b>	<b><u>718,285</u></b>

		At 30 June 2010 <i>HK\$'000</i> Unaudited	At 31 December 2009 <i>HK\$'000</i> Audited (Restated)
<b>Current liabilities</b>			
Trade and bills payables	12	235,187	329,639
Other payables and accrued expenses		101,727	54,950
Rental deposits received		2,090	3,529
Borrowings		647,475	187,210
Taxation payable		2,754	7,582
Derivative financial liabilities	11	<u>1,275</u>	<u>618</u>
		<u>990,508</u>	<u>583,528</u>
<b>Net current assets</b>		<u>137,993</u>	<u>134,757</u>
<b>Total assets less current liabilities</b>		<u>1,157,327</u>	<u>1,068,215</u>
<b>Non-current liabilities</b>			
Borrowings		129,501	119,678
Deferred tax liabilities		99,891	92,659
Rental deposits received		<u>5,329</u>	<u>3,617</u>
		<u>234,721</u>	<u>215,954</u>
<b>NET ASSETS</b>		<u><u>922,606</u></u>	<u><u>852,261</u></u>
<b>Capital and reserves</b>			
Share capital		52,337	52,337
Reserves		<u>870,269</u>	<u>799,924</u>
<b>TOTAL EQUITY</b>		<u><u>922,606</u></u>	<u><u>852,261</u></u>

## 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 2010	52,337	19,516	80,236	495	1,025	698,652	852,261
Profit for the period	-	-	-	-	-	66,661	66,661
Other comprehensive income	-	-	5,936	-	365	-	6,301
<b>Total comprehensive income for the period</b>	-	-	5,936	-	365	66,661	72,962
Dividend ( <i>note 13</i> )	-	-	-	-	-	(2,617)	(2,617)
<b>At 30 June 2010</b>	<b>52,337</b>	<b>19,516</b>	<b>86,172</b>	<b>495</b>	<b>1,390</b>	<b>762,696</b>	<b>922,606</b>
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 13</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>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Net cash (used in) from operating activities	(256,787)	100,101
Net cash (used in) from investing activities	(227,622)	6,223
Net cash from (used in) financing activities	<u>467,472</u>	<u>(166,363)</u>
Net decrease in cash and cash equivalents	(16,937)	(60,039)
Cash and cash equivalents at beginning of period	97,693	164,065
Effect on exchange rate changes	<u>2,077</u>	<u>(66)</u>
Cash and cash equivalents at end of period	<u><b>82,833</b></u>	<u><b>103,960</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (a) Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2009.

#### (b) Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost convention, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as described below.

#### (c) Application of new and revised standards, amendments and interpretations

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

### *Amendment to HKAS 17 Leases*

As part of “Improvements to HKFRSs” issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments for land to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payments for land with a previous carrying amount of HK\$37,977,000 at 1 January 2009 to property, plant and equipment that are measured at cost model.

### *Summary of effect of the above changes in accounting policies*

The effect of changes in accounting policies described above on the financial positions of the Group as at 31 December 2009 is as follows:

	<b>At 31 December 2009 (Originally stated) HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>At 31 December 2009 (Restated) HK\$'000</b>
Property, plant and equipment	14,100	37,658	51,758
Prepaid lease payments for land	37,945	(37,658)	287
	<u>52,045</u>	<u>-</u>	<u>52,045</u>

The effect of changes in accounting policies described above on the financial positions of the Group as at 1 January 2009 is as follows:

	<b>At 1 January 2009 (Originally stated) HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>At 1 January 2009 (Restated) HK\$'000</b>
Property, plant and equipment	15,898	37,977	53,875
Prepaid lease payments for land	38,268	(37,977)	291
	<u>54,166</u>	<u>-</u>	<u>54,166</u>



**(d) New and revised standards, amendments or interpretations that are not yet effective and have not been early adopted by the Group**

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

## **2. TURNOVER AND SEGMENT INFORMATION**

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The Group’s operating and reportable segments are as follows:

1. General trading – trading of fishmeal products and tapioca chips
2. Property investment in Hong Kong – leasing of properties situated in Hong Kong
3. Property investment in the People’s Republic of China (the “PRC”) – leasing of properties situated in the PRC and agency services in the PRC.
4. Trading of properties – sale of properties situated in the PRC

The following is an analysis of the Group's revenue and results by reportable segment.

	<b>Six months ended 30 June 2010</b>				
	<b>General trading</b>	<b>Property investment in Hong Kong</b>	<b>Property investment in the PRC</b>	<b>Trading of properties</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
REVENUE					
External Sales	<u>1,112,728</u>	<u>7,772</u>	<u>8,563</u>	<u>–</u>	<u>1,129,063</u>
Segment profit after tax	<u>12,951</u>	<u>24,005*</u>	<u>33,892**</u>	<u>–</u>	<u>70,848</u>
Change in fair value of financial assets designated at fair value through profit or loss					661
Central administration costs					(4,346)
Unallocated finance costs					(502)
Profit for the period					<u>66,661</u>

\* The segment profit after tax of property investment in Hong Kong included fair value gains on investment properties of HK\$20.2 million, deferred tax charge of HK\$3.5 million.

\*\* The segment profit after tax of property investment in the PRC included fair value gains on investment properties of HK\$24 million, deferred tax charge of HK\$3.3 million and share of results of associates of HK\$8.5 million.

	<b>Six months ended 30 June 2009</b>				
	<b>General trading</b>	<b>Property investment in Hong Kong</b>	<b>Property investment in the PRC</b>	<b>Trading of properties</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
REVENUE					
External Sales	<u>958,712</u>	<u>8,124</u>	<u>7,875</u>	<u>–</u>	<u>974,711</u>
Segment profit after tax	<u>20,644</u>	<u>24,735*</u>	<u>23,244**</u>	<u>–</u>	<u>68,623</u>
Change in fair value of financial assets designated at fair value through profit or loss					522
Central administration costs					(6,645)
Unallocated finance costs					(623)
Profit for the period					<u>61,877</u>

\* The segment profit after tax of property investment in Hong Kong included fair value gains on investment properties of HK\$20.1 million, deferred tax charge of HK\$3 million.

\*\* The segment profit after tax of property investment in the PRC included fair value gains on investment properties of HK\$15.2 million, deferred tax charge of HK\$2.5 million and share of results of associates of HK\$6.5 million.

Segment profit after tax represents profit earned by each reportable segment without allocation of income and expenditure of the Group's head office, including: change in fair value of financial assets designated at fair value through profit or loss, central administration costs and unallocated finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's assets and liabilities by reportable segment.

<b>At 30 June 2010</b>	<b>General trading</b> <i>HK\$'000</i> <b>Unaudited</b>	<b>Property investment in Hong Kong</b> <i>HK\$'000</i> <b>Unaudited</b>	<b>Property investment in the PRC</b> <i>HK\$'000</i> <b>Unaudited</b>	<b>Trading of properties</b> <i>HK\$'000</i> <b>Unaudited</b>	<b>Consolidated</b> <i>HK\$'000</i> <b>Unaudited</b>
<b>ASSETS</b>					
Segment assets	1,046,296	440,967	591,397	17,246	2,095,906
Corporate assets					<u>51,929</u>
Consolidated assets					<u><u>2,147,835</u></u>
<b>LIABILITIES</b>					
Segment liabilities	945,973	116,403	82,387	–	1,144,763
Corporate liabilities					<u>80,466</u>
Consolidated liabilities					<u><u>1,225,229</u></u>
<b>At 31 December 2009</b>					
	<b>General trading</b> <i>HK\$'000</i> <b>Audited</b>	<b>Property investment in Hong Kong</b> <i>HK\$'000</i> <b>Audited</b>	<b>Property investment in the PRC</b> <i>HK\$'000</i> <b>Audited</b>	<b>Trading of properties</b> <i>HK\$'000</i> <b>Audited</b>	<b>Consolidated</b> <i>HK\$'000</i> <b>Audited</b>
<b>ASSETS</b>					
Segment assets	597,011	412,011	567,854	16,928	1,593,804
Corporate assets					<u>57,939</u>
Consolidated assets					<u><u>1,651,743</u></u>
<b>LIABILITIES</b>					
Segment liabilities	536,675	91,213	85,656	–	713,544
Corporate liabilities					<u>85,938</u>
Consolidated liabilities					<u><u>799,482</u></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	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Bank interest income	4,999	5,437
Exchange gain, net	2,172	–
Sundry income	3,058	1,878
	<u>10,229</u>	<u>7,315</u>

### 5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Interest on bank loans and overdrafts		
– wholly repayable within five years	3,595	3,817
– not wholly repayable within five years	802	849
	<u>4,397</u>	<u>4,666</u>

## 6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	Unaudited	Unaudited (Restated)
(Reversal of allowance) allowance for doubtful debts	(489)	308
Amortisation of prepaid lease payments for land	2	2
Auditor's remuneration	650	600
Cost of inventories recognised as expenses	1,014,288	864,614
Depreciation of property, plant and equipment	1,220	1,224
Exchange (gain) loss, net	(1,924)	282
Gain on disposal of property, plant and equipment	(221)	–
Reversal of impairment loss on properties held for sale	–	(16)
Allowance for inventories	9,321	–
Share of taxation of an associate	3,611	–
Staff costs including directors' emoluments	8,744	10,289
Gross rental income from investment properties	15,963	15,920
Less: Outgoings	(1,157)	(818)
Net rental income from investment properties	<u>14,806</u>	<u>15,102</u>

## 7. INCOME TAX EXPENSE

The charge comprises:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Hong Kong profits tax		
Current period	<u>755</u>	–
Other jurisdiction		
Current period	61	–
Overprovision in prior years	<u>(44)</u>	–
	<u>17</u>	–
Deferred taxation		
Current period	<u>6,764</u>	5,516
Total tax expenses for the period	<u>7,536</u>	<u>5,516</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	<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 owners of the Company	<u>66,661</u>	<u>61,877</u>
	Number of shares	
	2010	2009
	Unaudited	Unaudited
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>HK25.47 cents</u>	<u>HK23.65 cents</u>

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

## 9. TRADE AND OTHER RECEIVABLES

	At 30 June	At 31 December
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
Trade and bills receivables	223,514	295,894
Less: allowance for doubtful debts	<u>(892)</u>	<u>(1,382)</u>
	<u>222,622</u>	<u>294,512</u>
Prepayments and deposits	6,816	2,985
Other receivables	<u>10,638</u>	<u>10,683</u>
	<u>240,076</u>	<u>308,180</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:

	<b>At 30 June 2010 HK\$'000 Unaudited</b>	At 31 December 2009 HK\$'000 Audited
0-30 days	217,022	286,502
31-60 days	61	7,989
61-90 days	61	21
Over 90 days	5,478	–
	<u>222,622</u>	<u>294,512</u>

#### 10. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>At 30 June 2010 HK\$'000 Unaudited</b>	At 31 December 2009 HK\$'000 Audited
Convertible bonds at fair value	–	21,085

#### 11. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>At 30 June 2010 HK\$'000 Unaudited</b>	At 31 December 2009 HK\$'000 Audited
<b>Derivative financial assets</b>		
Foreign currency non-deliverable forward contracts	3,091	596
Interest rate swaps	–	56
	<u>3,091</u>	<u>652</u>
<b>Derivative financial liabilities</b>		
Foreign currency non-deliverable forward contracts	278	333
Interest rate swaps	997	285
	<u>1,275</u>	<u>618</u>

## 12. TRADE AND BILLS PAYABLES

	<b>At 30 June 2010 HK\$'000 Unaudited</b>	At 31 December 2009 HK\$'000 Audited
Bills payables	234,563	328,945
Trade payables	<u>624</u>	<u>694</u>
	<b><u>235,187</u></b>	<b><u>329,639</u></b>

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

	<b>At 30 June 2010 HK\$'000 Unaudited</b>	At 31 December 2009 HK\$'000 Audited
0-30 days	234,563	326,940
31-60 days	–	2,028
Over 60 days	<u>624</u>	<u>671</u>
	<b><u>235,187</u></b>	<b><u>329,639</u></b>

The average credit period on purchase of goods is 30 days.

## 13. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Unaudited
Final dividend paid for 2009 of HK\$0.01 (2009: Final dividend paid for 2008 of HK\$0.01) per ordinary share	<b><u>2,617</u></b>	<b><u>2,617</u></b>

## 14. COMPARATIVE FIGURES

Certain comparative figures presented in note 2 “Turnover and Segment Information” have been reclassified to conform with current period’s presentation.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover increased by HK\$154 million to HK\$1,129 million for the six months ended 30 June 2010 (the "Period") and the net profit for the Period increased by around 8% to HK\$66.7 million as compared with the corresponding period in 2009.

The table below summarises the Group's revenue and results from its operating segments for the Period as compared with the corresponding period in 2009:

### REVENUE AND RESULTS BY OPERATING SEGMENTS

	Revenue		Profit	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	Unaudited	Unaudited	Unaudited	Unaudited
Fishmeal Products	<b>1,061</b>	951	<b>11.7</b>	20.6
Tapioca Products	<b>52</b>	8	<b>1.2</b>	–
General Trading	<b>1,113</b>	959	<b>12.9</b>	20.6
Property Investment in Hong Kong	<b>8</b>	8	<b>24.0</b>	24.7
Property Investment in Mainland China	<b>8</b>	8	<b>33.9*</b>	23.3
Trading of Properties	–	–	–	–
	<b>16</b>	16	<b>57.9</b>	48.0
Total	<b>1,129</b>	975	<b>70.8</b>	68.6
Net profit of the Group			<b>66.7</b>	61.9

\* Profit from property investment in Mainland China includes share of profit of the Group's associates of HK\$8.5 million (2009: HK\$6.5 million).

## **BUSINESS REVIEW**

### **General Trading**

#### *Fishmeal Products*

For the Period under review, the Group's fishmeal products trading recorded a turnover of HK\$1,061 million (2009: HK\$951 million) and profit of HK\$11.7 million (2009: HK\$20.6 million).

The prices of fishmeal products have steadily increased since 2009. The upward trend was further aggravated with the implementation of the individual fishing quota system by the Peru Government in 2009. The 27 February 2010 earthquake in Southern Chile, one of the major fishmeal producers, brought about disruption to production facilities and distribution networks. All those factors drastically reduced the supply of fishmeal products and pushed the prices of fishmeal products to historical high. Traders in China adapted a wait-and-see attitude and cautiously maintained low fishmeal inventories.

The yearly peak season for the aquatic industries which have a strong demand for fishmeal products runs from March onwards. The weather in China this year from March to June was unstable and not favourable to aquatic (especially shrimp) industries, leading to delayed consumption of fishmeal products, which subsequently drove down prices. Consequently, there was a decline in the trading volume of fishmeal products.

The above factors had negative impacts on the trading volume as well as the gross margin of fishmeal products and hence a significant reduction in the net profit of this segment, as compared to the same period last year.

#### *Tapioca Products*

After the establishment of newly structured team and the implementation of the tapioca trading strategy, this segment has begun to make contribution to the Group and turnover for tapioca products trading increased to HK\$52 million from HK\$8 million compared to the same period last year. This segment of business provided a profit of HK\$1.2 million whereas in last year it was nil.

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

Properties in Hong Kong held by the Group provided a stable rental income of HK\$8 million before segment expenses and taxes of HK\$0.7 million for the Period (2009: HK\$8 million before segment expenses and taxes of HK\$0.4 million). Our investment properties in Hong Kong as valued by an independent valuer recorded a revaluation gain of around HK\$20.2 million before deferred tax of HK\$3.5 million as at 30 June 2010.

### **Property Investment and Properties Held for Sale in Mainland China**

Investment properties in Mainland China generated rental income of HK\$8.6 million before segment expenses and taxes of HK\$3.9 million during the Period (2009: HK\$8 million before segment expenses and taxes of HK\$4 million), an increase of 8% as compared to the same period last year. For the Period, there was a gain of around HK\$24 million before deferred tax of HK\$3.3 million from revaluation of investment properties in Mainland China.

## *Associated Company*

The Group has 43% interest in Da Da Development (Shanghai) Corporation (“Da Da Development”), which owns a compound named Emerald Court in Shanghai (the “Emerald Court”). For the Period under review, a share of profit of the Group’s associates was approximately HK\$8.5 million (2009: HK\$6.5 million), which included the attributable share of HK\$8.2 million (2009: HK\$5.8 million) of fair value gain on investment properties owned by an associate in Mainland China.

## **PROSPECTS**

### **General Trading**

For the Period under review, the market sentiment for fishmeal products trading in China was dampened mainly due to escalating prices of fishmeal products and the unstable weather in China from March to June 2010. The Group expects the demand for fishmeal products from swine and aquatic (especially shrimp) industries in China to return to normal and stabilise in the coming months. With the ever-changing market environment, the management has swiftly made adjustments to its trading strategy, working closely with suppliers and joint venture partners to minimise the impact that the change might bring to our results.

As the production facilities and distribution networks in Chile are gradually resuming their normal capacity after the earthquake, the Group expects the overall world supply of fishmeal products to return to normal in the coming seasons. The management will take proactive actions according to the market conditions of fishmeal products trading in the future and will closely monitor the fishmeal business.

Given the competitive environment of the market of tapioca products in China, the newly structured team in tapioca trading will explore new sources for a steady and reliable supply of tapioca chips from South East Asia. The management strives to make a positive contribution from the tapioca products trading to the Group.

### **Property Investment**

The transaction to acquire Unit F, 57/F, the Masterpiece, No. 18 Hanoi Road, Tsimshatsui, Kowloon, Hong Kong was completed in February 2010. The Group is currently looking for a suitable tenant for this unit. The leases of two rental properties of the Group in Hong Kong shall expire in the second half of 2010 and with new developments becoming available in surrounding areas where these properties are situated, there may be a short term effect on rental income.

The Mainland economy has been robust, benefiting from the support of Government policies and initiatives. Da Da Development is considering to carry out a major refurbishment on the villas at Emerald Court located in the prime area of Shanghai. Upon completion of the refurbishment works, Da Da Development would consider disposing of these villas unit by unit to take the advantage of the current property market in Shanghai.

The Group will continue to review market conditions and consider investing in good quality properties in Hong Kong and Mainland China.

## FINANCIAL REVIEW

As at 30 June 2010, the Group's gearing ratio was 14% (31 December 2009: 14%) which was based on the Group's long term bank borrowings of HK\$130 million (31 December 2009: HK\$120 million) and shareholders' equity of HK\$923 million (31 December 2009: HK\$852 million).

Bank borrowings under current liabilities were approximately HK\$647 million (31 December 2009: HK\$187 million) which included bank loans of approximately HK\$368 million (31 December 2009: HK\$141 million), secured with bank deposits of HK\$376 million (31 December 2009: HK\$148 million), and trust receipt loans of HK\$256 million (31 December 2009: Nil). The Group's borrowings were denominated in HK dollars, US dollars and Renminbi.

The Group adopts prudent policies to hedge exchange rate risks associated with our core businesses. All of our purchases are denominated in US dollars and part of our sales is denominated in Renminbi. In the first half of 2010, the Group entered into several forward contracts to hedge exchange rate risks as deemed necessary.

## PLEDGE OF ASSETS

As at 30 June 2010, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure banking facilities:

	<b>At 30 June 2010 HK\$'000 Unaudited</b>	At 31 December 2009 HK\$'000 Audited (Restated)
Investment properties	<b>814,810</b>	728,478
Properties held for sale	<b>13,198</b>	12,951
Buildings	<b>43,418</b>	43,656
Pledged bank deposits	<b>375,720</b>	148,329
Bills receivables	–	23,841

## 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 2010 (2009: HK\$0.01 per share) payable on or around 24 September 2010 to the shareholders of the Company whose names are on the register of members of the Company on 17 September 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010, 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 2010, 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, 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, 14 September 2010.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2010, the Group employed 85 employees (2009: 88) with staff cost for the six months then ended amounting to HK\$8,744,000 (2009: HK\$10,289,000). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account comparable levels in the market.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE**

The Company recognises 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 2010.

## **AUDIT COMMITTEE**

The audit committee, comprising all the three independent non-executive directors of the Company, has reviewed the Group's unaudited financial statements for the six months ended 30 June 2010 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to internal control and financial reporting of the Group.

## **PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITES**

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.greatchinaholdingsltd.com.hk](http://www.greatchinaholdingsltd.com.hk). An interim report of the Company, containing information required by the Listing Rules, will be dispatched to its shareholders and will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

## **APPRECIATION**

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

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

Hong Kong, 27 August 2010

*The directors of the Company as at the date of this announcement are: Mr. Rustom Ming Yu HO (Chairman), Mr. John Ming Tak HO (Managing Director), 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.*