



GREAT CHINA

GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0141)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010

UNAUDITED INTERIM RESULTS

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 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Company and its subsidiaries (collectively, the “Group”) 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 |
| | HK\$ million | HK\$ million | HK\$ million | HK\$ million |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Fishmeal Products | 1,061 | 951 | 11.7 | 20.6 |
| Tapioca Products | 52 | 8 | 1.2 | – |
| General Trading | 1,113 | 959 | 12.9 | 20.6 |
| Property Investment in Hong Kong | 8 | 8 | 24.0 | 24.7 |
| Property Investment in Mainland China | 8 | 8 | 33.9* | 23.3 |
| Trading of Properties | – | – | – | – |
| | 16 | 16 | 57.9 | 48.0 |
| Total | 1,129 | 975 | 70.8 | 68.6 |
| Net profit of the Group | | | 66.7 | 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:

| | At 30 June 2010 HK\$'000 Unaudited | At 31 December 2009 HK\$'000 Audited (Restated) |
|--------------------------|---|---|
| Investment properties | 814,810 | 728,478 |
| Properties held for sale | 13,198 | 12,951 |
| Buildings | 43,418 | 43,656 |
| Pledged bank deposits | 375,720 | 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.

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

As at 30 June 2010, the interests of the directors of the Company 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") were as follows:

Long position in the shares of the Company

| Name of director | Number of shares interested | | | Percentage [#] of issued share capital of the Company |
|-----------------------|-----------------------------|----------------------------|-----------------|--|
| | Family interests | Corporate interests | Total interests | |
| Mr. Rustom Ming Yu HO | – | 138,347,288(<i>Note</i>) | 138,347,288 | 52.87% |
| Mr. John Ming Tak HO | 600,000 | 138,347,288(<i>Note</i>) | 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.

The percentage represents the number of ordinary shares interested divided by the number of the Company’s issued shares as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, none of the directors or the chief executives of the Company had any interests or short positions in any 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 of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

None of the directors or chief executives (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or had 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) during the six months ended 30 June 2010.

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 2010, 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 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(<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.

The percentage represents the number of ordinary shares interested divided by the number of the Company’s issued shares as at 30 June 2010.

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 2010, had an interest or a short position in the shares or 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 pursuant to Section 336 of the SFO.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the six months ended 30 June 2010.

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”) set out in Appendix 10 to 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 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.

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, the directors of the Company 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.

On behalf of the Board
John Ming Tak HO
Managing Director

Hong Kong, 27 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

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

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> |
| Other comprehensive income | | |
| 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> |
| Total comprehensive income attributable to owners of the Company | <u><u>72,962</u></u> | <u><u>64,407</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | At 30 June 2010 | At 31 December 2009 |
|--|--------------|-------------------------------------|--|
| | <i>Notes</i> | <i>HK\$'000</i> Unaudited | <i>HK\$'000</i> Audited (Restated) |
| Non-current assets | | | |
| Goodwill | | 3,000 | 3,000 |
| Investment properties | 9 | 816,546 | 730,215 |
| Property, plant and equipment | 1(c) | 51,217 | 51,758 |
| Prepaid lease payments for land | 1(c) | 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 | | 3,705 | 3,340 |
| | | 1,019,334 | 933,458 |
| Current assets | | | |
| Properties held for sale | | 17,246 | 16,928 |
| Inventories | | 364,024 | 78,126 |
| Prepaid lease payments for land | 1(c) | 4 | 4 |
| Trade and other receivables | 10 | 240,076 | 308,180 |
| Amount due from an associate | | 45,507 | 44,616 |
| Financial assets designated at fair value through profit or loss | 11 | – | 21,085 |
| Derivative financial assets | 12 | 3,091 | 652 |
| Bank balances and cash | | 82,833 | 97,693 |
| Pledged bank deposit | | 375,720 | 148,329 |
| | | 1,128,501 | 715,613 |
| Assets classified as held for sale | | – | 2,672 |
| | | 1,128,501 | 718,285 |
| Current liabilities | | | |
| Trade and bills payables | 13 | 235,187 | 329,639 |
| Other payables and accrued expenses | | 101,727 | 54,950 |
| Rental deposits received | | 2,090 | 3,529 |
| Borrowings | 14 | 647,475 | 187,210 |
| Taxation payable | | 2,754 | 7,582 |
| Derivative financial liabilities | 12 | 1,275 | 618 |
| | | 990,508 | 583,528 |
| Net current assets | | 137,993 | 134,757 |
| Total assets less current liabilities | | 1,157,327 | 1,068,215 |
| Non-current liabilities | | | |
| Borrowings | 14 | 129,501 | 119,678 |
| Deferred tax liabilities | | 99,891 | 92,659 |
| Rental deposits received | | 5,329 | 3,617 |
| | | 234,721 | 215,954 |
| NET ASSETS | | 922,606 | 852,261 |
| Capital and reserves | | | |
| Share capital | 15 | 52,337 | 52,337 |
| Reserves | | 870,269 | 799,924 |
| TOTAL EQUITY | | 922,606 | 852,261 |

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 |
| Total comprehensive income for the period | - | - | 5,936 | - | 365 | 66,661 | 72,962 |
| Dividend (<i>note 16</i>) | - | - | - | - | - | (2,617) | (2,617) |
| At 30 June 2010 | 52,337 | 19,516 | 86,172 | 495 | 1,390 | 762,696 | 922,606 |
| 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 |
| Total comprehensive income for the period | - | - | 1,860 | - | 670 | 61,877 | 64,407 |
| Dividend (<i>note 16</i>) | - | - | - | - | - | (2,617) | (2,617) |
| At 30 June 2009 | 52,337 | 19,516 | 78,292 | 495 | 670 | 608,250 | 759,560 |

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><u>82,833</u></u> | <u><u>103,960</u></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 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:

| | At 31 December 2009 (Originally stated) HK\$'000 | Adjustments HK\$'000 | At 31 December 2009 (Restated) HK\$'000 |
|---------------------------------|---|-------------------------|--|
| 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> |
| Total effects on net assets | <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:

| | At 1 January 2009 (Originally stated) HK\$'000 | Adjustments HK\$'000 | At 1 January 2009 (Restated) HK\$'000 |
|---------------------------------|--|-------------------------|---|
| 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> |
| Total effects on net assets | <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 ¹ |
| HKAS 24 (Revised) | Related Party Disclosures ⁴ |
| HKAS 32 (Amendment) | Classification of Rights Issues ² |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³ |
| HKFRS 9 | Financial Instruments ⁵ |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement ⁴ |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments ³ |

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

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ 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.

| | Six months ended 30 June 2010 | | | | |
|---|---|---|---|---|---------------------------------------|
| | General trading HK\$'000 Unaudited | Property investment in Hong Kong HK\$'000 Unaudited | Property investment in the PRC HK\$'000 Unaudited | Trading of properties HK\$'000 Unaudited | Consolidated HK\$'000 Unaudited |
| 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 | | | | | <u>(502)</u> |
| 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.

| | Six months ended 30 June 2009 | | | | |
|---|-------------------------------|----------------|-----------------|------------|----------------|
| | General | Property | Property | Trading of | Consolidated |
| | trading | investment | investment | properties | |
| | in Hong Kong | in the PRC | in the PRC | properties | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | |
| 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.

| At 30 June 2010 | | | | | |
|--------------------------|------------------|----------------|----------------|---------------|-------------------------|
| | General | Property | Property | Trading of | Consolidated |
| | trading | investment | investment | properties | |
| | in Hong Kong | in the PRC | in the PRC | properties | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| ASSETS | | | | | |
| Segment assets | 1,046,296 | 440,967 | 591,397 | 17,246 | 2,095,906 |
| Corporate assets | | | | | <u>51,929</u> |
| Consolidated assets | | | | | <u>2,147,835</u> |
| LIABILITIES | | | | | |
| Segment liabilities | 945,973 | 116,403 | 82,387 | – | 1,144,763 |
| Corporate liabilities | | | | | <u>80,466</u> |
| Consolidated liabilities | | | | | <u>1,225,229</u> |

| At 31 December 2009 | General trading <i>HK\$'000</i> Audited | Property investment in Hong Kong <i>HK\$'000</i> Audited | Property investment in the PRC <i>HK\$'000</i> Audited | Trading of properties <i>HK\$'000</i> Audited | Consolidated <i>HK\$'000</i> Audited |
|--------------------------|---|---|---|---|--|
| ASSETS | | | | | |
| 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> |
| LIABILITIES | | | | | |
| 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 <i>HK\$'000</i> Unaudited | 2009 <i>HK\$'000</i> 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 <i>HK\$'000</i> Unaudited | 2009 <i>HK\$'000</i> 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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | 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) |
| | <u>14,806</u> | <u>15,102</u> |
| 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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Unaudited | Unaudited |
| Hong Kong profits tax | | |
| Current period | 755 | – |
| Other jurisdiction | | |
| Current period | 61 | – |
| Overprovision in prior years | (44) | – |
| | <u>17</u> | <u>–</u> |
| Deferred taxation | | |
| Current period | 6,764 | 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 | 66,661 | 61,877 |
| | Number of shares | |
| | 2010 | 2009 |
| | <i>Unaudited</i> | Unaudited |
| Number of ordinary shares for the purpose of basic earnings per share | 261,684,910 | 261,684,910 |
| Basic earnings per share | HK25.47 cents | HK23.65 cents |

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 | At 31 December |
|--|-------------------|-----------------|
| | 2010 | 2009 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Unaudited | Audited |
| FAIR VALUE | | |
| At beginning of period/year | 730,215 | 675,092 |
| Additions | 37,862 | – |
| Increase in fair value | 44,193 | 56,591 |
| Transfer to assets classified as held for sale | – | (2,672) |
| Exchange realignment | 4,276 | 1,204 |
| At end of the period/year | 816,546 | 730,215 |

The fair value of the Group's investment properties at 30 June 2010 have been arrived at on the basis of a valuation carried out on that date by A.G. Wilkinson & Associates, independent qualified professional valuers not connected with the Group. A.G. Wilkinson & Associates is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the PRC and Hong Kong. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and capitalisation of net income by reference to market yield of similar properties.

10. TRADE AND OTHER RECEIVABLES

| | At 30 June 2010 <i>HK\$'000</i> Unaudited | At 31 December 2009 <i>HK\$'000</i> 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><u>240,076</u></u> | <u><u>308,180</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 2010 <i>HK\$'000</i> Unaudited | At 31 December 2009 <i>HK\$'000</i> Audited |
|--------------|--|--|
| 0-30 days | 217,022 | 286,502 |
| 31-60 days | 61 | 7,989 |
| 61-90 days | 61 | 21 |
| Over 90 days | <u>5,478</u> | <u>–</u> |
| | <u><u>222,622</u></u> | <u><u>294,512</u></u> |

11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

13. TRADE AND BILLS PAYABLES

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

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

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

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

14. BORROWINGS

| | At 30 June 2010 HK\$'000 Unaudited | At 31 December 2009 HK\$'000 Audited |
|---|---|---|
| Secured | | |
| Bank loans | 521,053 * | 283,047 |
| Trust receipt loans | 255,923 | – |
| Liabilities associated with bills receivables discounted with full recourse | – | 23,841 |
| | <u>776,976</u> | <u>306,888</u> |

* Certain new bank loans of approximately HK\$367,718,000 (31 December 2009: HK\$141,284,000) which were secured with bank deposits of HK\$375,720,000 (31 December 2009: HK\$148,329,000). The pledged bank deposits will be released upon the settlement of relevant bank loans.

The maturity of the above borrowings is as follows:

| | At 30 June 2010 HK\$'000 Unaudited | At 31 December 2009 HK\$'000 Audited |
|--|---|---|
| On demand or within one year | 647,475 | 187,210 |
| More than one year, but not exceeding two years | 30,034 | 22,099 |
| More than two years, but not exceeding five years | 43,865 | 50,970 |
| More than five years | 55,602 | 46,609 |
| | <u>776,976</u> | <u>306,888</u> |
| Less: Amount due within one year shown under current liabilities | <u>(647,475)</u> | <u>(187,210)</u> |
| Amount due after one year | <u>129,501</u> | <u>119,678</u> |

15. SHARE CAPITAL

| | At 30 June 2010 Unaudited | At 31 December 2009 Audited |
|---|---------------------------------|-----------------------------------|
| Authorised: | | |
| 500,000,000 (2009: 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 (2009: 261,684,910) ordinary shares of HK\$0.2 each | <u>HK\$52,336,982</u> | <u>HK\$52,336,982</u> |

16. DIVIDENDS

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

17. RELATED PARTIES TRANSACTIONS

- (a) The Group's balances with related parties are set out in the condensed consolidated statement of financial position.
- (b) Key management compensation was as follows:

| | Six months ended 30 June | |
|-----------------------------|--------------------------|-----------------|
| | 2010 | 2009 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Unaudited | Unaudited |
| Salaries and other benefits | <u>4,223</u> | <u>3,895</u> |

18. COMPARATIVE FIGURES

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