



GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

Stock Code 股份代號:1203

2010

中期報告 Interim Report



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Corporate Information

(as at 27 August 2010)

Board of Directors

Executive Directors

LIANG Jiang (*Chairman*)
 LI Li (*Deputy Chairman*)
 TAN Yunbiao (*General Manager*)
 SUNG Hem Kuen (*Chief Financial Officer*)

Non-Executive Directors

HUANG Xiaofeng
 LUO Fanyu
 HOU Zhuobing

Independent Non-Executive Directors

Gerard Joseph McMAHON
 TAM Wai Chu, Maria
 LI Kar Keung, Caspar

Audit Committee

Gerard Joseph McMAHON (*Chairman*)
 TAM Wai Chu, Maria
 LI Kar Keung, Caspar

Compensation Committee

LI Kar Keung, Caspar (*Chairman*)
 Gerard Joseph McMAHON
 TAM Wai Chu, Maria

Nomination Committee

LIANG Jiang (*Chairman*)
 Gerard Joseph McMAHON
 TAM Wai Chu, Maria
 LI Kar Keung, Caspar

Company Secretary

LO Wing Suet

Auditors

KPMG
 Certified Public Accountants
 8th Floor, Prince's Building
 10 Chater Road
 Central
 Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Industrial and Commercial Bank of China Limited, Zhongshan Branch
 Bank of China Limited, Zhongshan Branch
 China Citic Bank Corporation Limited, Guangzhou, Zhongshan Sub-Branch
 The Agricultural Bank of China, Qinhuangdao Branch
 Industrial and Commercial Bank of China Limited, Qinhuangdao Branch
 Bank of China Limited, Qinhuangdao Branch

Registered Office

22/F., Tesbury Centre
 No. 24–32 Queen's Road East
 Hong Kong
 Telephone : (852) 2828 3938
 Facsimile : (852) 2583 9288
 Website : <http://www.gdguangnan.com>

Share Registrar

Computershare Hong Kong Investor Services Limited
 17M Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

Share Information

<i>Place of Listing</i>	Main Board of The Stock Exchange of Hong Kong Limited
<i>Stock Code</i>	1203
<i>Board Lot</i>	2,000 shares
<i>Financial Year End</i>	31 December

Shareholders' Calendar

<i>Closure of Register of Members</i>	7 October 2010 and 8 October 2010
<i>Interim Dividend Payment Date</i>	HK 3.0 cents per share 27 October 2010

Financial Highlights

(Expressed in Hong Kong dollars)

Unaudited Financial Highlights

	Six months ended 30 June		
	2010 \$'000	2009 \$'000	Change
Turnover	1,397,946	1,122,679	+24.5%
Profit from operations	166,721	110,734	+50.6%
Profit attributable to shareholders	136,128	83,121	+63.8%
Basic earnings per share	15.03 cents	9.18 cents	+63.7%
Interim dividend per share	3.0 cents	1.5 cents	+100.0%
	At		
	30 June 2010 \$'000	31 December 2009 \$'000	Change
Total assets	2,887,200	2,542,810	+13.5%
Shareholders' equity	1,715,214	1,592,775	+7.7%
Net asset value per share¹	\$1.89	\$1.76	+7.4%
Net (cash)/borrowings²	(43,244)	89,539	
Gearing ratio³	-2.5%	5.6%	

Notes:

1.
$$\frac{\text{Shareholders' equity}}{\text{Number of ordinary shares in issue}}$$

2. Borrowings – cash and cash equivalents

3.
$$\frac{\text{Net (cash)/borrowings}}{\text{Shareholders' equity}}$$

Business Review, Management Discussion and Analysis, Prospects and Other Information

RESULTS

For the first half of 2010, the unaudited consolidated profit attributable to shareholders was HK\$136,128,000, representing an increase of 63.8% from HK\$83,121,000 of the corresponding period last year. Basic earnings per share was HK 15.03 cents, an increase of 63.7% from HK 9.18 cents of the corresponding period last year.

INTERIM DIVIDEND

The Board of Directors (the "Board") declares the payment of an interim dividend for the six months ended 30 June 2010 of HK 3.0 cents per share (six months ended 30 June 2009: HK 1.5 cents per share).

BUSINESS REVIEW

During the period under review, all business segments of the Group were improving while consolidating. The Group's consolidated turnover was HK\$1,397,946,000, representing an increase of HK\$275,267,000 or 24.5% from HK\$1,122,679,000 of the corresponding period last year. Profit from operations was HK\$166,721,000, representing an increase of HK\$55,987,000 or 50.6% from HK\$110,734,000 of the corresponding period last year. With the recovery in the prices of iron and steel during 2009, the purchase prices of raw materials and the selling prices of tinsplate products continued to increase in 2010. Together with the improvement in the quality of blackplates and the value added to the products from the Group's blackplate manufacturing plant in Zhongshan, and the increase in sales volume of the tinsplating plant in Qinhuangdao, all these factors contributed to the substantial increase in the gross profit margin of the Group's tinsplate products. For the fresh and live foodstuffs business, both turnover and profit from operations grew as compared to the corresponding period last year as a result of the increase in the number of live pigs distributed and the volume of chilled foodstuffs sold. Through the devoted efforts of the management team and the premium quality sources of goods from the major suppliers, the Group actively contributed to maintaining the supply and a stable price for the market. During the period under review, the overall market share in the live pigs import market remained at above 40%. This provided a steady contribution to the earnings of the Group.

Tinsplating

Zhongshan Zhongyue Tinsplate Industrial Co., Ltd. ("Zhongyue Tinsplate") is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in Zhongyue Posco (Qinhuangdao) Tinsplate Industrial Co., Ltd. ("Zhongyue Posco") while the remaining 34% is held by POSCO Co., Ltd. ("POSCO"), an internationally-renowned iron and steel enterprise. Currently, the annual production capacity of tinsplate products and blackplates of the Group are 470,000 tonnes and 150,000 tonnes respectively, of which 220,000 tonnes of tinsplate products and 150,000 tonnes of blackplates are from Zhongshan's capacity, whereas 250,000 tonnes of tinsplate products are from Qinhuangdao's capacity.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

In the first half of 2010, the Group produced 156,817 tonnes of tinplate products, represented an increase of 26.0% as compared to the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 88,435 tonnes and 68,382 tonnes respectively. Besides, the blackplate manufacturing plant of Zhongyue Tinplate produced 65,520 tonnes of blackplates, an increase of 35.6% as compared to the corresponding period last year, providing a steady supply of raw materials (i.e. blackplates) for its production of tinplates. The Group's tinplating plants in the northern and southern China sold 151,429 tonnes of tinplate products, an increase of 12.3% as compared to the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 89,450 tonnes and 61,979 tonnes of tinplate products respectively, a decrease of 0.1% and an increase of 36.9% respectively as compared to the corresponding period last year. Turnover was HK\$1,282,293,000, an increase of 25.5% as compared to the corresponding period last year and profit from operations was HK\$122,959,000, an increase of HK\$46,386,000 or 60.6% as compared to the corresponding period last year. The tinplating business contributed the largest share to the earnings of the Group and accounted for 91.7% and 73.8% of the Group's turnover and profit from operations respectively.

The Group's tinplating business during the year entered into the phase of consolidation with growth. With the recovery in the prices of iron and steel during 2009, the purchase prices of raw materials and the selling prices of tinplate products continued to increase in 2010. In June 2010, the market prices for hot-rolled plates, the primary raw material for the production of blackplates, and the prices of tinplate products decreased. It is expected that the prices of iron and steel products will remain volatile in the second half of the year. During the period, the Group adopted multi-faceted measures. Firstly, the Group adopted a price setting mechanism that aligned more closely to the market price, tightened the control over costs, and timely adjusted the product mix, as well as the pace of purchase, production and sales. In addition, the Group took up a substantial number of projects in technology improvement, including the deployment of Six Sigma methodology in its management as the key tool to improvement of technology and management. As a result, the quality of blackplates and the value added to the products from the Group's blackplate manufacturing plant in Zhongshan was further improved. Product categories were expanded and the further utilisation of production capacity of the blackplate manufacturing plant was facilitated. On the other hand, in order to fully utilise the production capacity and increase the sales volume of the tinplating plant in Qinhuangdao, the Group fully leveraged on resource sharing between the two tinplating plants in the southern and northern China. Synergies were derived from the complementary effect in types of products produced. Endeavours were made to expand overseas market so as to increase exports. The sales volume of Zhongyue Posco increased significantly by 36.9% from the corresponding period last year. The gross profit and gross profit margin of the Group's tinplate products increased substantially during the period, and achieved relatively satisfactory results.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

Fresh and Live Foodstuffs

Guangnan Hong Company Limited (“Guangnan Hong”) is a wholly-owned subsidiary of the Company. Guangnan Hong holds a 51% interest in Guangnan Live Pigs Trading Limited.

In the first half of 2010, the turnover of the fresh and live foodstuffs business amounted to HK\$102,124,000, representing an increase of 16.0% as compared to the corresponding period last year. Profit from operations was HK\$36,998,000, representing an increase of HK\$4,241,000 or 12.9% as compared to the corresponding period last year. Both turnover and profit from operations of the fresh and live foodstuffs business grew as compared to the corresponding period last year as a result of the increase in the number of live pigs distributed and the volume of chilled foodstuffs sold. Through continuous optimisation of business workflow, the Group proactively strengthened its communication with suppliers, industry participants and customers. Service standards were enhanced. The Group also actively contributed to maintaining the supply and a stable price for the market and widened its sales channels. The overall market share in the live pigs import market remained at above 40%. This provided a steady contribution to the earnings of the Group. Currently, the Group is actively negotiating with suppliers and customers for further cooperation in order to build up a solid business chain and enhance its competitiveness.

Property Leasing

The Group’s leasing properties mainly include the plant and staff dormitories of Zhongyue Tinplate and Zhongyue Posco, and the office units in Hong Kong.

In the first half of 2010, turnover from the property leasing business of the Group was HK\$13,529,000, an increase of 3.2% as compared to the corresponding period last year. Profit from operations of leasing properties amounted to HK\$8,998,000, an increase of 13.5% as compared to the corresponding period last year. In addition, after the general fall in the price of office units in Hong Kong during the fourth quarter of 2008, the price increased with the rebound of asset prices around the world in the first half of 2009, and net valuation gains on investment properties in the corresponding period last year of HK\$12,267,000 were recorded. Net valuation gains on investment properties of HK\$374,000 were recorded in the first half of 2010.

Associate

In the first half of 2010, Yellow Dragon Food Industry Co., Limited, an associate of the Group, recorded a sales volume of 211,859 tonnes in its major product, corn starch, representing a decrease of 2.8% as compared with the corresponding period last year. With the substantial rise in the price of the products from last year, turnover amounted to HK\$903,561,000, representing an increase of 27.2% and its profit attributable to shareholders amounted to HK\$51,418,000 as compared with a loss attributable to shareholders of HK\$3,155,000 in the corresponding period last year.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

FINANCIAL POSITION

As at 30 June 2010, the Group's total assets and total liabilities amounted to HK\$2,887,200,000 and HK\$1,022,904,000, representing an increase of HK\$344,390,000 and HK\$204,603,000 respectively when compared with the positions at the end of last year. The net current assets increased from HK\$456,595,000 at the end of last year to HK\$548,381,000, which was mainly attributable to the proceeds from a two-year bank loan amounting to HK\$77,000,000 borrowed in June 2010. The current ratio (current assets divided by current liabilities) decreased from 1.72 as at the end of 2009 to 1.61.

Liquidity and Financial Resources

As at 30 June 2010, the Group maintained cash and cash equivalent balances of HK\$717,438,000, including pledged bank deposits of HK\$311,929,000. An amount of HK\$524,545,000 was denominated in Renminbi and HK\$70,318,000 was denominated in United States ("US") Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalent balances increased by 88.3% from the end of 2009, which was mainly attributable to the net cash inflow from operations during the period and proceeds from bank loans.

As at 30 June 2010, the Group's borrowings comprised 1) bank borrowings of HK\$594,634,000 (31 December 2009: HK\$390,940,000), of which HK\$128,453,000 (31 December 2009: HK\$Nil) was unsecured, HK\$160,000,000 (31 December 2009: HK\$160,000,000) was pledged by investment properties in Hong Kong and HK\$306,181,000 (31 December 2009: HK\$230,940,000) was secured by bank deposits of HK\$311,929,000 (31 December 2009: HK\$233,035,000); and 2) loans from a related company of HK\$79,560,000 (31 December 2009: HK\$79,560,000). 35.2% (31 December 2009: 34.0%) of the Group's borrowings was guaranteed by the Company. 88.6% (31 December 2009: 66.0%) of the Group's borrowings was repayable within 1 year, and the remaining balance was repayable within 2 years (31 December 2009: 2 years). All borrowings were subject to annual interest rates ranging from 0.35% to 2.54% (31 December 2009: 0.28% to 2.30%). 47.0% (31 December 2009: 50.9%) of the Group's borrowings bears interest at floating rates. The management pays attention to variations in interest rates.

As at 30 June 2010, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -2.5% (31 December 2009: 5.6%). The decrease was primarily due to the significant net cash inflow from operations during the period.

On 14 June 2010, the Group entered into a facility agreement (the "Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited. According to the Facility Agreement, the Group was granted a facility to borrow unsecured loans of HK\$160,000,000 for a term of 2 years. The loan bears interest at a floating rate with an interest rate of HIBOR plus 1.0% per annum. Such loan was applied as the working capital for the Group. As at 30 June 2010, a loan of HK\$77,000,000 has been drawn by the Group.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

As at 30 June 2010, the Group's available banking facilities amounted to HK\$554,000,000, of which HK\$332,557,000 was utilised and HK\$221,443,000 was unutilised. 57.8% of the Group's banking facilities was guaranteed by the Company which also provided the investment properties situated in Hong Kong as collateral for 28.9% of the Group's banking facilities. Currently, the cash reserves and available banking facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

Capital Expenditure

The Group's capital expenditure in the first half of 2010 amounted to HK\$6,289,000 (first half of 2009: HK\$18,484,000). It is expected that the capital expenditure for 2010 will be approximately HK\$25,000,000, mainly for the technology improvement projects of the blackplate manufacturing plant of Zhongyue Tinplate to further enhance the quality and added value of the blackplates.

Charges on Assets

As at 30 June 2010, certain assets of the Group with an aggregate carrying value of HK\$409,729,000 (31 December 2009: HK\$341,903,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations are in mainland China and Hong Kong. During the period, the exchange rates of Hong Kong Dollars against US Dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the impact of Renminbi against US Dollars, since the majority of the Group's sales and purchases are made in Renminbi and US Dollars, the Group does not have material exposure to foreign exchange.

In respect of unforeseen fluctuations of exchange rates, the Group will adopt hedging instruments to hedge the exposure as and when necessary. As at 30 June 2010, there were forward foreign exchange contracts of US\$39,880,000 (equivalent to HK\$311,064,000) (31 December 2009: US\$30,000,000 (equivalent to HK\$234,000,000)) entered into by the Group to hedge against foreign currency loans. In addition, as at 30 June 2010, there were forward foreign exchange contracts of US\$30,000,000 (equivalent to HK\$234,000,000) (31 December 2009: US\$23,000,000 (equivalent to HK\$179,400,000)) entered into by the Group to hedge against the foreign currency exposure in respect of financing the working capital of certain subsidiaries of the Group in the PRC. Except for the abovementioned, other borrowings are denominated in the functional currency of the corresponding entities.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group had a total of 1,104 full-time employees, an increase of 11 from the end of 2009. 91 of the employees were based in Hong Kong and 1,013 were in mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance with reference to the prevailing industry practices. In 2010, the Group continued to implement control on the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on the basis of net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted share option scheme to encourage excellent participants to continue their contribution to the Group.

PROSPECTS

Notwithstanding the gradual recovery of global economy and the rapid growth in the economy of mainland being continued to maintain, there are still a number of uncertainties and challenges subsisting in the global economy and the business environment. It is expected that the prices of iron and steel products will remain volatile in the second half of the year. Moreover, the production capacity of iron and steel in China may not be able to be fully absorbed in the short term. Competition in the market will become more intense. In adhering to the Group's objectives of consolidation and enhancement, as to the tinsplating business, the blackplate manufacturing plant in Zhongshan will further enhance the quality of blackplates and the value added to the products, while the tinsplating plant in Qinhuangdao will fully utilise the comparative advantages established in product types. The two tinsplate production bases in the northern and southern regions will capture the beneficial opportunities arising from a relatively abundant supply of primary raw materials, which will ramp up production as much as practicable and seek to achieve scale of economies. As to the fresh and live foodstuffs business, the Group will actively capture various business opportunities to build up a solid chain for the fresh and live foodstuffs trading business so as to lay a sound foundation for the sustainable development in future. With our steady financial position and abundant capital resources, the Group will proactively grasp the business opportunities and use its best endeavours to create more value for its shareholders.

Review Report



Review Report to the Board of Directors of Guangnan (Holdings) Limited *(Incorporated in Hong Kong with limited liability)*

Introduction

We have reviewed the interim financial report set out on pages 11 to 39 which comprises the consolidated balance sheet of Guangnan (Holdings) Limited as of 30 June 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2010

Consolidated Income Statement

for the six months ended 30 June 2010 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2010 \$'000	2009 \$'000
Turnover	3	1,397,946	1,122,679
Cost of sales		(1,177,245)	(1,000,277)
Gross profit		220,701	122,402
Other revenue	4	6,700	43,166
Other net income	4	15,399	2,733
Distribution costs		(27,938)	(23,325)
Administrative expenses		(47,256)	(33,928)
Other operating expenses		(885)	(314)
Profit from operations		166,721	110,734
Net valuation gains on investment properties	8(b)	374	12,267
Finance costs	5(a)	(3,774)	(4,153)
Share of profit/(loss) of associate		20,567	(1,262)
Profit before taxation	5	183,888	117,586
Income tax	6	(31,573)	(17,586)
Profit for the period		152,315	100,000
Attributable to:			
Equity shareholders of the Company		136,128	83,121
Non-controlling interests		16,187	16,879
Profit for the period		152,315	100,000
Earnings per share			
Basic	7(a)	15.03 cents	9.18 cents
Diluted	7(b)	14.96 cents	9.18 cents

The notes on pages 18 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Profit for the period	152,315	100,000
Other comprehensive income for the period (after taxation):		
Exchange differences on translation of financial statements of subsidiaries and associate outside Hong Kong	13,997	606
Reclassification adjustments for amounts transferred to profit or loss:		
– realisation of reserves upon disposal of associate outside Hong Kong	–	(1,061)
– realisation of exchange reserves upon deregistration of subsidiary outside Hong Kong	–	71
	13,997	(384)
Total comprehensive income for the period	166,312	99,616
Attributable to:		
Equity shareholders of the Company	148,964	82,693
Non-controlling interests	17,348	16,923
Total comprehensive income for the period	166,312	99,616

The notes on pages 18 to 39 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2010 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Non-current assets			
Fixed assets			
– Investment properties		284,610	282,420
– Other property, plant and equipment		836,272	864,613
– Interests in leasehold land held for own use under operating leases		109,592	110,655
	8	1,230,474	1,257,688
Interest in associate		203,025	196,772
		1,433,499	1,454,460
Current assets			
Inventories	9	250,860	200,418
Trade and other receivables, deposits and prepayments	10	485,403	506,556
Current taxation recoverable		–	415
Cash and cash equivalents	11	717,438	380,961
		1,453,701	1,088,350
Current liabilities			
Trade and other payables	12	273,136	280,309
Bank loans	13(a)	517,634	230,940
Loans from a related company	13(b)	79,560	79,560
Current taxation payable		34,990	40,946
		905,320	631,755
Net current assets		548,381	456,595
Total assets less current liabilities		1,981,880	1,911,055

Consolidated Balance Sheet (Continued)

at 30 June 2010 – unaudited
(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Non-current liabilities			
Bank loans	13(a)	77,000	160,000
Deferred tax liabilities		40,584	26,546
		117,584	186,546
NET ASSETS		1,864,296	1,724,509
Capital and reserves			
Share capital		452,962	452,862
Reserves		1,262,252	1,139,913
Total equity attributable to equity shareholders of the Company		1,715,214	1,592,775
Non-controlling interests		149,082	131,734
TOTAL EQUITY		1,864,296	1,724,509

The notes on pages 18 to 39 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Capital reserve- share options	Exchange reserve	Special capital reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2010		452,862	4,480	2,101	184,712	107,440	10,303	830,877	1,592,775	131,734	1,724,509
Changes in equity for the six months ended 30 June 2010:											
Transfer to statutory reserves		-	-	-	-	-	6,043	(6,043)	-	-	-
Exercise of share options	14(b)	100	290	(58)	-	-	-	-	332	-	332
Share-based payment expenses for the period		-	-	321	-	-	-	-	321	-	321
Dividends approved in respect of the previous year	14(a)	-	-	-	-	-	-	(27,178)	(27,178)	-	(27,178)
Total comprehensive income for the period		-	-	-	12,836	-	-	136,128	148,964	17,348	166,312
Balance at 30 June 2010		452,962	4,770	2,364	197,548	107,440	16,346	933,784	1,715,214	149,082	1,864,296

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2010 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											
	Note	Share capital \$'000	Share premium \$'000	Capital reserve- share options \$'000	Exchange reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Reserves relating to non-current asset held for sale \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2009		452,802	4,423	1,459	182,602	107,440	5,670	680,541	2,476	1,437,413	112,781	1,550,194
Changes in equity for the six months ended 30 June 2009:												
Transfer of reserves upon disposal of associate		-	-	-	-	-	-	1,415	(1,415)	-	-	-
Transfer of reserves upon deregistration of subsidiary		-	-	-	-	-	(233)	233	-	-	-	-
Transfer to statutory reserves		-	-	-	-	-	4,830	(4,830)	-	-	-	-
Share-based payment expenses for the period		-	-	348	-	-	-	-	-	348	-	348
Dividends declared to minority shareholders		-	-	-	-	-	-	-	-	-	(3,920)	(3,920)
Dividends approved in respect of the previous year	14(a)	-	-	-	-	-	-	(13,584)	-	(13,584)	-	(13,584)
Total comprehensive income for the period		-	-	-	633	-	-	83,121	(1,061)	82,693	16,923	99,616
Balance at 30 June 2009 and 1 July 2009		452,802	4,423	1,807	183,235	107,440	10,267	746,896	-	1,506,870	125,784	1,632,654
Changes in equity for the six months ended 31 December 2009:												
Transfer to statutory reserves		-	-	-	-	-	36	(36)	-	-	-	-
Exercise of share options		60	57	(27)	-	-	-	-	-	90	-	90
Share-based payment expenses for the period		-	-	321	-	-	-	-	-	321	-	321
Dividends declared in respect of the current year	14(a)	-	-	-	-	-	-	(13,586)	-	(13,586)	-	(13,586)
Total comprehensive income for the period		-	-	-	1,477	-	-	97,603	-	99,080	5,950	105,030
Balance at 31 December 2009		452,862	4,480	2,101	184,712	107,440	10,303	830,877	-	1,592,775	131,734	1,724,509

The notes on pages 18 to 39 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2010 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	Six months ended 30 June	
		2010 \$'000	2009 \$'000
Cash generated from operations		168,399	113,625
Income tax paid		(22,782)	(180)
Net cash generated from operating activities		145,617	113,445
Net cash generated from/(used in) investing activities		11,486	(6,152)
Net cash generated from/(used in) financing activities		110,937	(172,543)
Increase/(decrease) in cash and cash equivalents		268,040	(65,250)
Cash and cash equivalents at 1 January	11	134,943	390,443
Effect of foreign exchange rates changes		2,526	97
Cash and cash equivalents at 30 June	11	405,509	325,290

The notes on pages 18 to 39 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise stated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 10.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2010.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, Distributions of non-cash assets to owners

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policies but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- As a result of the amendment to HKAS 17, Leases, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following 3 reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for the food processing manufacturers.
- Fresh and live foodstuffs : this segment distributes, sells and purchases fresh and live foodstuffs.
- Property leasing : this segment leases office and industrial premises to generate rental income.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

In addition, management is provided with segment information concerning revenue (inter-segment sales are not material), profit or loss, assets, liabilities and other information relevant to the assessment of segment performance and allocation of resources between segments (if material). Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June	Tinplating		Fresh and live foodstuffs		Property leasing		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Reportable segment revenue	1,282,293	1,021,517	102,124	88,049	13,529	13,113	1,397,946	1,122,679
Reportable segment profit	122,959	76,573	36,998	32,757	8,998	7,928	168,955	117,258
Reportable segment assets	2,250,183	1,925,397	103,057	95,070	305,969	302,291	2,659,209	2,322,758
Reportable segment liabilities	925,972	715,402	22,082	30,328	31,920	31,077	979,974	776,807

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Profit		
Reportable segment profit derived from the Group's external customers	168,955	117,258
Unallocated head office and corporate income and expenses	(2,234)	(6,524)
Net valuation gains on investment properties	374	12,267
Finance costs	(3,774)	(4,153)
Share of profit/(loss) of associate	20,567	(1,262)
Consolidated profit before taxation	183,888	117,586

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

(b) Reconciliations of reportable segment profit or loss, assets and liabilities
(Continued)

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Assets		
Reportable segment assets	2,659,209	2,322,758
Interest in associate	203,025	196,772
Unallocated head office and corporate assets	24,966	23,280
Consolidated total assets	2,887,200	2,542,810
Liabilities		
Reportable segment liabilities	979,974	776,807
Unallocated head office and corporate liabilities	42,930	41,494
Consolidated total liabilities	1,022,904	818,301

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Other revenue and net income

Other revenue

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Interest income	4,577	1,643
Subsidies received (<i>note</i>)	638	37,101
Others	1,485	4,422
	6,700	43,166

Other net income

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Net gain/(loss) on forward foreign exchange contracts	7,006	(693)
Net exchange gain/(loss)	8,116	(16)
Net realised and unrealised gain on trading securities	–	1,552
Gain on disposal of an associate	–	1,061
Gain on deregistration of a subsidiary	–	829
Others	277	–
	15,399	2,733

Note: The subsidies for the six months ended 30 June 2009 were mainly granted to a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") by the local government authority in the People's Republic of China ("PRC") for its continuous contribution to the development of the metal-plating industry.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Profit before taxation

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

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within 5 years	2,866	4,072
Interest on loans from a related company	908	–
Interest on loan from immediate holding company	–	81
	3,774	4,153
(b) Staff costs:		
Net contributions paid to defined contribution retirement plans	3,404	3,060
Equity-settled share-based payment expenses	321	348
Salaries, wages and other benefits	51,537	39,229
	55,262	42,637
(c) Other items:		
Amortisation of land lease premium	1,672	1,527
Depreciation	41,989	41,023
Operating lease charges in respect of property rentals	2,804	1,712
Share of associate's taxation (<i>note</i>)	7,436	(449)
Rentals receivable from investment properties less direct outgoings of \$905,000 (30 June 2009: \$1,069,000)	(12,624)	(12,044)

Note: Income tax for associate established and operating in the PRC is calculated based on the applicable rate of income tax ruling in the relevant province in the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	Six months ended 30 June	
		2010 \$'000	2009 \$'000
Current tax – Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2009: 16.5%) on the estimated assessable profits for the period		5,702	5,530
Under-provision in respect of prior years		–	2,023
		5,702	7,553
Current tax – the PRC			
Tax for the period		25,103	417
Over-provision in respect of prior years	(iv)	(13,027)	–
		12,076	417
Deferred tax			
Origination and reversal of temporary differences		13,795	9,616
	(i)	31,573	17,586

Notes:

- (i) The provision for Hong Kong Profits Tax for 2010 is calculated by applying the estimated annual effective tax rate of 16.5% (2009: 16.5%) to the six months ended 30 June 2010. Income tax for subsidiaries established and operating in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant provinces or economic zones in the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Income tax in the consolidated income statement (Continued)

Taxation in the consolidated income statement represents: (Continued)

Notes: (Continued)

- (ii) *In accordance with the Corporate Income Tax Law of the PRC ("New Tax Law"), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the income tax rate for certain PRC subsidiaries of the Group is to be changed gradually to the standard rate of 25% over a five-year transition period beginning from 2008. The details of the tax relief are disclosed in the following note.*
- (iii) *Zhongyue Posco, being a foreign investment enterprise established in the PRC before the New Tax Law passed on 16 March 2007, has applied for a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. Zhongyue Posco has been informed of the approval verbally by the tax authorities but no formal approval document has been received up to the date of issue of this interim financial report. The directors believe that Zhongyue Posco may enjoy such tax benefits and, therefore, no tax provision has been made for any prior periods. The provision for 2010 is calculated by applying the tax rate of 11%, being 50% of the transitional tax rate of 22%, to the taxable profit for the six months ended 30 June 2010.*
- (iv) *This represents reversal of over-provision for PRC income tax in respect of the prior years.*
- (v) *According to the New Tax Law, dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax of 5%.*

In accordance with Caishui (2008) No. 1 issued by State Tax Authorities, undistributed profits from the PRC companies up to 31 December 2007 will be exempted from withholding tax when they are distributed in future.

As at 30 June 2009 and 31 December 2009, as the Company controlled the dividend policy of the PRC subsidiaries and it had determined that the profits of the PRC subsidiaries would not be distributed in the foreseeable future, no provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries was made.

During the current period, the Company has re-assessed the timing of the distribution of profits from the PRC subsidiaries and determined that they would be distributed in the foreseeable future, accordingly, a provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries from 1 January 2008 to 30 June 2010 has been made as at 30 June 2010.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$136,128,000 (30 June 2009: \$83,121,000) and the weighted average number of 905,785,000 (30 June 2009: 905,603,000) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2010 '000	2009 '000
Issued ordinary shares at 1 January	905,723	905,603
Effect of share options exercised (<i>note 14(b)</i>)	62	–
Weighted average number of ordinary shares	905,785	905,603

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2010 is based on the profit attributable to ordinary equity shareholders of the Company of \$136,128,000 and the weighted average number of ordinary shares of 909,767,000, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2010 '000	2009 '000
Weighted average number of ordinary shares used in the basic earnings per share calculation	905,785	905,603
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (<i>note 14(b)</i>)	3,982	–
Weighted average number of ordinary shares (diluted)	909,767	905,603

The diluted earnings per share for the six months ended 30 June 2009 was the same as the basic earnings per share as the potential ordinary shares were anti-dilutive.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Fixed assets

(a) Acquisitions

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a cost of \$6,289,000 (30 June 2009: \$18,484,000).

(b) Investment properties

Investment properties situated in Hong Kong were revalued at 30 June 2010 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their staff members of Hong Kong Institute of Surveyors, on an open market value basis. Investment properties situated in the PRC were revalued at 30 June 2010 by either 廣東財興資產評估土地房地產估價有限公司 or 秦皇島正揚資產評估事務所, independent firms of valuers registered in the PRC, on an open market value basis. Based on the valuations, a net gain of \$374,000 (30 June 2009: \$12,267,000), and deferred tax thereon of \$72,000 (30 June 2009: \$2,668,000), have been included in the consolidated income statement.

Investment properties in Hong Kong are pledged to secure the bank loans of \$160,000,000 (31 December 2009: \$160,000,000) (note 13(a)(iii)).

(c) Leases

The Group leases out investment properties under operating leases. The leases run for an initial period of 1 to 28 years, with an option to renew the leases upon expiry at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases was \$284,610,000 (31 December 2009: \$282,420,000).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

9. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Raw materials, spare parts and consumables	97,958	104,405
Work in progress	20,817	14,980
Finished goods	132,085	81,033
	250,860	200,418

Based on management's assessment of the net realisable value of inventories, there was no write-down of inventories to estimated net realisable value during the period (30 June 2009: \$5,500,000).

10. Trade and other receivables, deposits and prepayments

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Trade debtors	100,498	65,127
Bills receivable	224,704	296,419
Other receivables, deposits and prepayments	97,895	100,977
Amount due from an associate	15,467	17,510
Amounts due from a related company (<i>note</i>)	38,079	22,928
Derivative financial instruments	8,760	3,595
	485,403	506,556

Note: The amounts represent trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

10. Trade and other receivables, deposits and prepayments (Continued)

Included in trade and other receivables, deposits and prepayments are trade debtors, bills receivable and trade balances due from a related company (net of allowance for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Current	361,350	381,291
Less than 1 month past due	727	799
1 to 3 months past due	1,197	1,557
More than 3 months but less than 12 months past due	7	827
Amounts past due	1,931	3,183
	363,281	384,474

There is no significant recognition or reversal of impairment losses in respect of trade and other receivables, deposits and prepayments during the six months ended 30 June 2010 and 2009.

For the tinplating operations, deposits, prepayments, bills or letters of credit are normally obtained from customers. Credit evaluations are performed on all customers requiring credit over a certain amount. The trade receivables are usually due within 30 days from the date of billing and the maturity dates for bills receivable issued by banks range from 3 to 6 months. For the foodstuffs trading business, the credit period usually ranges from 1 to 2 months. For the distribution of fresh and live foodstuffs business, the credit period is usually less than 1 month. Cash deposits or financial guarantees from other parties are required for certain customers. For the Group's property leasing business, rental is collected 1 month in advance and rental deposits are obtained from the tenants. In general, debtors of the Group with balances that are more than 1 month overdue are requested to settle all outstanding balances before any further credit is granted.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Cash and cash equivalents

Analysis of the balances of cash and cash equivalents is set out below:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Deposits with banks	358,813	237,578
Cash at bank and in hand	358,625	143,383
Cash and cash equivalents in the consolidated balance sheet	717,438	380,961
Pledged bank deposits (<i>note 13(a)(ii)</i>)	(311,929)	(246,018)
Cash and cash equivalents in the condensed consolidated cash flow statement	405,509	134,943

12. Trade and other payables

Included in trade and other payables are trade creditors and trade balances due to a related company with the following ageing analysis:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Due within 1 month or on demand	102,780	108,475

Trade and other payables include the following balances with related parties:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Amount due to immediate holding company	34	–
Amount due to a fellow subsidiary	23,250	23,250
Amount due to a related company (<i>note</i>)	53,489	64,448

Note: The amount represents trade balances due to a company related to the minority shareholder of a non-wholly owned subsidiary.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Borrowings

	Note	At 30 June 2010 \$'000	At 31 December 2009 \$'000
(a) Bank loans			
– unsecured	(i), (iv)	128,453	–
– secured by bank deposits	(ii)	306,181	230,940
– secured by investment properties	(iii), (iv)	160,000	160,000
		594,634	390,940

At 30 June 2010, the bank loans were repayable as follows:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Within 1 year or on demand	517,634	230,940
After 1 year but within 2 years	77,000	160,000
	594,634	390,940

Notes:

- (i) Included in unsecured bank loans is a loan of \$77,000,000 (31 December 2009: \$Nil) which is guaranteed by the Company and subject to fulfilment of certain loan covenants (note 13(a)(iv)).
- (ii) The loans are secured by bank deposits of \$311,929,000 (31 December 2009: \$233,035,000).
- (iii) The loans are guaranteed by the Company which also provided the investment properties situated in Hong Kong with a carrying value of \$97,800,000 (31 December 2009: \$95,885,000) as collateral.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Borrowings (Continued)

(a) Bank loans (Continued)

Notes: (Continued)

- (iv) *It is provided in the loan agreements that if the immediate holding company, GDH Limited, ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the lenders are entitled to request immediate repayment of these outstanding loans and all accrued interest.*

Further, the loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2010, none of the covenants relating to the bank loans had been breached.

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
(b) Loans from a related company	79,560	79,560

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") + 2% per annum and repayable on either 7 September 2010 or 14 October 2010. The Group also provided loans of \$154,440,000 (31 December 2009: \$154,440,000) to this non-wholly owned subsidiary in proportion to the Group's shareholding therein.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period declared after the interim period

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Interim dividend declared after the interim period of 3.0 cents per ordinary share (30 June 2009: 1.5 cents per ordinary share)	27,178	13,586

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 3.0 cents per ordinary share (30 June 2009: 1.5 cents per ordinary share)	27,178	13,584

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Capital, reserves and dividends (Continued)

(b) Equity-settled share-based transactions

During the six months ended 30 June 2010, 200,000 share options (30 June 2009: Nil) were exercised to subscribe for 200,000 ordinary shares at a consideration of \$332,000 of which \$100,000 was credited to share capital and the balance of \$232,000 was credited to the share premium account. \$58,000 was transferred from capital reserve – share options to the share premium account in accordance with the Group's accounting policies. These 200,000 ordinary shares of par value \$0.50 each rank pari passu with the existing ordinary shares of the Company in all respects.

During the six months ended 30 June 2010, there was no expiry or forfeiture of share options (30 June 2009: 1,500,000 share options expired and 1,080,000 share options were forfeited).

12,700,000 share options (31 December 2009: 12,900,000 share options) were outstanding at 30 June 2010 and the weighted average exercise price is \$1.098 (31 December 2009: \$1.106).

15. Retirement benefits schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The Group's pension cost charged to the consolidated income statement for the six months ended 30 June 2010 was \$3,404,000 (30 June 2009: \$3,450,000). There were no forfeited contributions refunded for the period (30 June 2009: \$390,000).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Commitments

- (a) Capital commitments outstanding at 30 June 2010 not provided for in the interim financial report were as follows:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Contracted for	14,169	6,404
Authorised but not contracted for	17,866	16,709
	32,035	23,113

- (b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	At 30 June 2010 \$'000	At 31 December 2009 \$'000
Within 1 year	2,268	2,158
After 1 year but within 5 years	366	869
	2,634	3,027

The Group leases a number of properties under operating leases. The leases run for an initial period of 1 to 3 years, with an option to renew each lease upon expiry when all the terms are renegotiated. None of the leases includes contingent rentals.

- (c) At 30 June 2010, the Company had committed to provide finance of \$6,489,000 (31 December 2009: \$6,489,000) to an associate of the Group.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions.

(a) Transactions with related parties

The Group had the following transactions with the related parties during the period which the directors consider to be material:

	Note	Six months ended 30 June	
		2010 \$'000	2009 \$'000
Sales of goods to related companies	(i)	325,601	249,584
Commission payable to a related company	(i), (ii)	4,169	3,307
Technical guidance services fee payable to a related company	(i)	445	–
Purchases of goods from			
– an associate		663	513
– related companies	(i)	545,677	376,517

Notes:

- (i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd and its subsidiaries.
- (ii) Commission in respect of export distribution services provided to the Group is charged at 1.5% of the contracted prices payable by the overseas customers.
- (iii) Balances with related parties are included in amounts due from/to the respective parties in the consolidated balance sheet. Except for the trade balances with related companies as disclosed in notes 10 and 12 which are settled in accordance with normal trade terms, and the loans from a related company as disclosed in note 13(b), these balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions (Continued)

(b) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions disclosed elsewhere in this interim financial report, the Group also conducts business activities with other state-controlled entities which include but are not limited to the following:

- Sales and purchase of goods and ancillary materials;
- Rendering and receiving services;
- Lease of assets;
- Purchase of property, plant and equipment; and
- Obtaining finance.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval process does not depend on whether the counterparties are state-controlled or not.

Having considered the potential transactions impacted by related party relationships, the Group's pricing strategy, buying and approval process and what information would be necessary for an understanding of the potential effects of the transactions on the interim financial report, the directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2010 \$'000	2009 \$'000
Short-term employee benefits	2,031	1,414
Post-employment benefits	329	263
Equity compensation benefits	174	200
	2,534	1,877

18. Litigation

In October 2009, a PRC third party filed a claim against a subsidiary of the Group in the Court of Liwan, Guangzhou City to recover an outstanding trade debt of approximately RMB2,060,000 (equivalent to \$2,361,000) and a penalty of approximately RMB5,376,000 (equivalent to \$6,163,000) for non-payment. The subsidiary made an objection on jurisdiction grounds and the Court of Guangzhou City ruled in its favour by ruling that the claim should be heard by the Court of Zhongshan City. The case has been transferred to the Court of Zhongshan City. At the date of issue of this interim financial report, the court proceedings are still in progress.

In prior years, this PRC third party had also filed claims in respect of the same matter but the claims were denied. Based on the information currently available, the Group considers that no provision is required to be made in the interim financial report in respect of this claim because the likelihood of an adverse outcome is remote.

19. Subsequent event

On 5 July 2010, the Company granted 15,210,000 share options to certain eligible participants (including directors and other employees) to subscribe for a total of 15,210,000 ordinary shares of \$0.50 each of the Company under the share option scheme of the Company adopted on 29 December 2008.

The exercise price of the share options is \$1.45 per share. Subject to the fulfilment of performance conditions of the Group and the eligible participants, 40%, 30%, 10% and 20% of the options vest after 2, 3, 4 and 5 years from the date of grant respectively. The share options are exercisable within a period of 5.5 years from the date of grant.

Supplementary Information

Directors' Interests and Short Positions in Securities

As at 30 June 2010, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) 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 the directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests and Short Positions in the Company

(A) Interests in ordinary shares

Name of director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				<i>(Note)</i>
Liang Jiang	Personal	780,000	Long position	0.086%
Li Li	Personal	1,417,000	Long Position	0.156%
Gerard Joseph McMahon	Personal	300,000	Long position	0.033%
Tam Wai Chu, Maria	Personal	200,000	Long Position	0.022%
Li Kar Keung, Caspar	Personal	100,000	Long Position	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 905,923,285 ordinary shares of the Company in issue as at 30 June 2010.

Supplementary Information (Continued)

(B) Interests (long positions) in options relating to ordinary shares*(i) Share option scheme adopted on 11 June 2004 ("2004 Share Option Scheme")*

Name of director	Number of share options				At 30 June 2010	Date of grant of share options [#]	Total consideration paid for share options granted	Exercise period of share options (both days inclusive) ^{##}	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period							
					(DD.MM.YYYY)	HK\$	(DD.MM.YYYY)	HK\$ (per share)	HK\$ (per share)	HK\$ (per share)	
Liang Jiang	2,000,000	-	-	-	2,000,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Tan Yunbiao	2,000,000	-	-	-	2,000,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Luo Fanyu	200,000	-	-	-	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Gerard Joseph McMahon	200,000	-	200,000	-	-	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	1.59
Li Kar Keung, Caspar	200,000	-	-	-	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	-

Notes to the above share options granted pursuant to 2004 Share Option Scheme:

[#] The vesting period of the share options is from the date of grant until the commencement of the exercisable period or the grantee's completion of half year's full time service with the Company or its subsidiaries, whichever is the later.

^{##} If the last day of any of the exercisable periods is not a business day in Hong Kong, the exercisable period shall end at the close of business on the last business day preceding that day.

(ii) Share option scheme adopted on 29 December 2008 ("2008 Share Option Scheme")

Name of director	Number of share options				At 30 June 2010	Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
					(DD.MM.YYYY)	HK\$	HK\$ (per share)	HK\$ (per share)	HK\$ (per share)	
Liang Jiang	2,150,000	-	-	-	2,150,000	30.12.2008	-	0.75	0.74	-
Tan Yunbiao	1,200,000	-	-	-	1,200,000	30.12.2008	-	0.75	0.74	-
Hou Zhuobing	1,000,000	-	-	-	1,000,000	30.12.2008	-	0.75	0.74	-
Sung Hem Kuen	900,000	-	-	-	900,000	30.12.2008	-	0.75	0.74	-

Supplementary Information (Continued)

Notes to the above share options granted pursuant to 2008 Share Option Scheme:

- (a) The option period of all the share options is 5.5 years from the date of grant.
- (b) Any share option is only exercisable during the option period after it has become vested.
- (c) The normal vesting scale of the share options is as follows:

Date	Percentage vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of the Company (the "Board") upon grant and stated in the offer of grant.
- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

(iii) Notes to the reconciliation of share options outstanding during the period:

- * The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- ** The price of the Company's ordinary shares disclosed as "immediately before date of grant" of the share options is the closing price on the Stock Exchange on the business day prior to which the options were granted.

The price of the Company's ordinary shares disclosed as "immediately before the exercise date" of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised by each of the directors or all other participants as an aggregate whole.

Supplementary Information (Continued)

Interests and Short Positions in Guangdong Investment Limited

(A) *Interests in ordinary shares*

Name of director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
Hou Zhuobing	Personal	32,000	Long position	0.001%

Note: The approximate percentage of interests held was calculated on the basis of 6,213,938,071 ordinary shares of Guangdong Investment Limited ("GDI") in issue as at 30 June 2010.

(B) *Interests (long positions) in options relating to ordinary shares*

Name of director	Number of share options				At 30 June 2010	Date of grant of share options (DD.MM.YYYY)	Total consideration paid for share options granted HK\$	Exercise price of share options ^Δ HK\$ (per share)	Price of ordinary share at date immediately before date of grant ^{Δ,Δ} HK\$ (per share)	Price of ordinary share at date immediately before the exercise date ^{Δ,Δ} HK\$ (per share)
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period						
Huang Xiaofeng	5,700,000	-	-	-	5,700,000	24.10.2008	-	1.88	1.73	-

Notes to the above share options granted pursuant to the share option scheme adopted by GDI on 24 October 2008:

- (a) The option period of all the share options is 5.5 years from the date of grant.
- (b) Any share option is only exercisable during the option period after it has become vested.
- (c) The normal vesting scale of the share options is as follows:

Date	Percentage vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.

Supplementary Information (Continued)

- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

- ^Δ The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in GDI's share capital.

- ^{ΔΔ} The price of GDI's ordinary shares disclosed as "immediately before date of grant" of the share options is the closing price on the Stock Exchange on the business day prior to which the options were granted.

The price of the GDI's ordinary shares disclosed as "immediately before the exercise date" of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised by each of the directors or all other participants as an aggregate whole.

Interests and Short Positions in Kingway Brewery Holdings Limited

Interests in ordinary shares

Name of director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
Luo Fanyu	Personal	86,444	Long position	0.005%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited ("Kingway Brewery") in issue as at 30 June 2010.

Interests and Short Positions in Guangdong Tannery Limited

Interests in ordinary shares

Name of director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
Luo Fanyu	Personal	70,000	Long position	0.013%

Note: The approximate percentage of interests held was calculated on the basis of 537,619,000 ordinary shares of Guangdong Tannery Limited ("Guangdong Tannery") in issue as at 30 June 2010.

Supplementary Information (Continued)

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company held by the directors in trust for the Company, as at 30 June 2010, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) 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 the directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

Substantial Shareholders' Interests

As at 30 June 2010, so far as is known to any directors and chief executives of the Company, the following persons (other than directors and chief executives of the Company) had, or were taken or deemed to have interests or short positions 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 were recorded in the register kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interests held
			<i>(Note 1)</i>
廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") <i>(Note 2)</i>	537,198,868	Long position	59.30%
GDH Limited ("GDH")	537,198,868	Long position	59.30%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 905,923,285 ordinary shares of the Company in issue as at 30 June 2010.
2. The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.

Save as disclosed above, as at 30 June 2010, no other person (other than directors and chief executives of the Company) known to any directors and chief executives of the Company had, or were taken or deemed to have interests or short positions 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 as recorded in the register kept by the Company under Section 336 of the SFO.

Supplementary Information (Continued)

Share Option Schemes

On 11 June 2004, the Company adopted 2004 Share Option Scheme enabling the Company to attract, retain and motivate high caliber and talented participants to make contributions to the Group. On the same day, the Company also terminated the share option scheme adopted on 24 August 2001 (“2001 Share Option Scheme”). Options granted under 2001 Share Option Scheme prior to 11 June 2004 remain valid until lapsed.

On 29 December 2008, the Company terminated 2004 Share Option Scheme and adopted 2008 Share Option Scheme, as to provide incentives to selected employees, officers and directors to contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and directors or to serve such other purposes as the Board may approve from time to time. Upon termination of 2004 Share Option Scheme, no further share options will be granted thereunder but in all other respects, the provisions of 2004 Share Option Scheme shall remain in force and all existing share options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

During the period, 200,000 share options were exercised and no share options were cancelled nor lapsed under 2004 Share Option Scheme.

During the period, no share options were exercised, cancelled, lapsed nor granted under 2008 Share Option Scheme.

As at 30 June 2010, options were outstanding under 2004 Share Option Scheme and 2008 Share Option Scheme entitling the holders to subscribe for 4,850,000 shares and 7,850,000 shares of the Company respectively.

As at 30 June 2010, save as disclosed under “Interests (long positions) in options relating to ordinary shares” on pages 41 and 42, certain employees and other participants of the Company had the following interests in rights to subscribe for shares of the Company granted under 2004 Share Option Scheme and 2008 Share Option Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.5 each of the Company.

(i) 2004 Share Option Scheme

Category	Number of share options				At 30 June 2010	Date of grant of share options [†] (DD.MM.YYYY)	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive) ^{##} (DD.MM.YYYY)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period							
Employees	450,000	-	-	-	450,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	-

Notes to the above share options granted pursuant to 2004 Share Option Scheme:

The vesting period of the share options is from the date of grant until the commencement of the exercisable period or the grantee's completion of half year's full time service with the Company or its subsidiaries, whichever is the later.

If the last day of any of the exercisable periods is not a business day in Hong Kong, the exercisable period shall end at the close of business on the last business day preceding that day.

Supplementary Information (Continued)

(ii) 2008 Share Option Scheme

Category	Number of share options				At 30 June 2010	Date of grant of share options (DD.MM.YYYY)	Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
Employees	2,600,000	-	-	-	2,600,000	30.12.2008	-	0.75	0.74	-

Notes to 2008 Share Option Scheme are set out in the "Notes to the above share options granted pursuant to 2008 Share Option Scheme" in the "Directors' Interests and Short Positions in Securities" section of this report on page 42.

- (iii) Notes to the reconciliations of share options outstanding during the period under 2004 Share Option Scheme and 2008 Share Option Scheme are set out in the "(iii) Notes to the reconciliation of share options outstanding during the period" in the "Director's Interests and Short Positions in Securities" section of this report on page 42.

Corporate Governance and Other Information

Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

Board of Directors

At present, the Board comprises four Executive Directors, being Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen, three Non-Executive Directors, being Mr. Huang Xiaofeng, Mr. Luo Fanyu and Ms. Hou Zhuobing, and three Independent Non-Executive Directors, being Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.

Supplementary Information (Continued)

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

Directors' Profile

Mr. LIANG Jiang, aged 57, was appointed an Executive Director and the Chairman of the Company in January 2002. He is also the chairman of two subsidiaries, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"). He is also an executive director of GDH. In February 2009, Mr. Liang was appointed as the deputy general manager of Guangdong Holdings. GDH and Guangdong Holdings are the immediate holding company and the ultimate holding company of the Company respectively. Mr. Liang graduated from South China Normal University, the PRC. He holds a Master's degree in Business Administration. He worked in the municipal governments of Zhanjiang and Foshan in Guangdong Province, the PRC and acted as the Administrative Head of Gaoming County, Secretary of Gaoming County Party Committee and Secretary of Gaoming Municipal Party Committee in Guangdong Province. During the period from October 1997 to March 2000, Mr. Liang acted as the chairman of Guangdong Real Estate (Holdings) Limited. Prior to joining the Company, he was the chairman of Guangdong Assets Management Limited ("GAM") and the chairman of Guangdong Alliance Limited ("GAL"). GAM and GAL are subsidiaries of GDH.

Mr. LI Li, aged 54, was appointed an Executive Director and the Deputy Chairman of the Company in April 2010. He is also the chairman of a subsidiary, Guangnan Hong Company Limited. Mr. Li graduated from the Sun Yat-Sen University, the PRC and the South China Normal University, the PRC. From May 2000 to July 2002, Mr. Li served as the Executive Vice Chairman of the Company. He was also an Executive Director and the Deputy Chairman of the Company from January 2008 to June 2009. Between 1986 and 1998, Mr. Li worked in Guangdong Foreign Economic Relations and Trade Committee (the "Committee"). He was a deputy director of the Economic and Trade Administration Office of the Committee in 1995. Since September 1998, Mr. Li has acted as the general manager of Nam Yue Food Stuff & Aquatics Company Limited ("Nam Yue Food") and Macau Wholesale Market Nam Yue Limited ("Macau Wholesale Market") and then became the chairman of both companies since June 2001. Mr. Li was also the chairman of Nam Yue Luen Fung Trading Company Limited ("Luen Fung Trading") since November 2004. On 16 March 2010, Mr. Li ceased to act as the chairman of Nam Yue Food, Macau Wholesale Market and Luen Fung Trading. The said three companies were incorporated in Macau Special Administrative Region of the PRC.

Mr. TAN Yunbiao, aged 46, was appointed an Executive Director and the General Manager of the Company in February 2004. Besides, he is also a director of Zhongyue Tinplate and Zhongyue Posco. Mr. Tan graduated from South China Agricultural University, the PRC and worked in the municipal government in Zhongshan, the PRC between 1984 to 1988. Mr. Tan joined Zhongshan Shan Hai Industrial Co., Ltd. ("Shan Hai") and Zhongyue Tinplate in 1988 and was promoted to the position of director and deputy general manager in 1997. He then became director and general manager of both companies in 2001. At the end of 2009, Shan Hai was absorbed by Zhongyue Tinplate.

Supplementary Information (Continued)

Mr. SUNG Hem Kuen, aged 36, was appointed an Executive Director and the Chief Financial Officer of the Company in April 2008. He acted as a Company Secretary of the Company from June 2008 to April 2009. He is also a director of Zhongyue Tinplate. Mr. Sung graduated from The University of Hong Kong and holds a Bachelor's degree in Business Administration. He has extensive experiences in auditing, accounting and corporate restructuring. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom. He is also a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Sung has worked in major multinational certified public accountants for over 10 years. He was the assistant chief financial officer of GDI before joining the Company.

Mr. HUANG Xiaofeng, aged 51, was appointed a Non-Executive Director of the Company in October 2008. Mr. Huang graduated from South China Normal University, the PRC and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from the Sun Yat-Sen University, the PRC. From 1987 to 1999, he worked with the General Office of the Communist Party of China ("CPC") Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the Deputy Director General of the General Office of the CPC Guangzhou Committee and thereafter the Deputy Secretary General of the CPC Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the Deputy Director General of the General Office of the Guangdong Provincial Government and then the Deputy Secretary General of the Guangdong Provincial Government. Mr. Huang was appointed as a director and a deputy general manager of Guangdong Holdings in April 2008 and was subsequently appointed as an executive director and a deputy general manager of GDH. In February 2009, Mr. Huang was appointed general manager of both Guangdong Holdings and GDH. Mr. Huang was also appointed a non-executive director of GDI and Kingway Brewery in June and October 2008 respectively. Both GDI and Kingway Brewery are fellow subsidiaries of the Company. The ordinary shares of GDI and Kingway Brewery are listed on the Stock Exchange.

Mr. LUO Fanyu, aged 55, was appointed a Non-Executive Director of the Company in May 2000. He is a director of GDH and a non-executive director of Kingway Brewery. He was a non-executive director of a fellow subsidiary of the Company, Guangdong Tannery. He joined Guangdong Enterprises (Holdings) Limited ("GDE") in 1987 and was responsible for its legal affairs. Prior to joining GDE, he was a judge and a deputy chief judge of the Economic Court of People's High Court of Guangdong Province. Mr. Luo graduated from the economics department of Sun Yat-Sen University, the PRC.

Ms. HOU Zhuobing, aged 49, was appointed a Non-Executive Director of the Company in August 2006 and is also a director of Zhongyue Posco. She acted as a Non-Executive Director of the Company between May 2000 to July 2002. Ms. Hou graduated from the department of international finance of Jinan University, the PRC and obtained a Master's degree in Business Administration from Murdoch University, Australia. Ms. Hou has extensive experience in treasury management and had worked for Guangzhou International Trust Investment Co., Ltd., Development Zone Branch. She joined the finance department of GDE in 1988 and was the general manager of finance department of GDH between August 2000 to July 2002. After that, Ms. Hou acted as director and financial controller of Guangdong Teem (Holdings) Limited until July 2006 when she becomes the general manager of finance departments of Guangdong Holdings and GDH.

Supplementary Information (Continued)

Mr. Gerard Joseph McMAHON, aged 66, was appointed an Independent Non-Executive Director of the Company in June 1999. He was, until end of 1996, an executive director and a member of the Securities and Futures Commission of Hong Kong (“SFC”), a member of the Hong Kong Takeovers and Mergers Panel and the SFC representative on the Hong Kong Standing Committee on Company Law Reform. Mr. McMahon is also a barrister in Hong Kong. He has been appointed non-executive director of a number of publicly listed companies in Hong Kong, Indonesia and Australia since 1997. Currently, Mr. McMahon is the chairman of the board of directors and audit committee of Oriental Technologies Investment Limited, a company listed on the Australian Securities Exchange. He is also the chairman and a non-executive director of Indonesian Investment Fund Limited, a company listed on the Irish Stock Exchange.

Ms. TAM Wai Chu, Maria, *GBS, J.P., LL.D (Honoris Causa), LL.B. (Hons.), Barrister-at Law*, aged 64, was appointed an Independent Non-Executive Director of the Company in June 1999. She is also non-executive director of seven other Hong Kong listed companies, namely Wing On Company International Limited, Minmetals Land Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies Co., Ltd., Sa Sa International Holdings Limited, Titan Petrochemicals Group Limited and Nine Dragons Paper (Holdings) Limited. Her public duties include being a member of the HKSAR Basic Law Committee under the Standing Committee of the National People’s Congress PRC and a member of the National People’s Congress PRC. Ms. Tam is also a member of the Operations Review Committee of the Independent Commission Against Corruption (“ICAC”) and a member of the Witness Protection Review Board of the ICAC.

Mr. Li Kar Keung, Caspar, aged 57, was appointed an Independent Non-Executive Director of the Company in June 1999. He is the president of a management service company. He had worked as a senior banker of BNP Paribas Peregrine Capital Limited, an investment analyst and head of Citicorp’s equity research in Hong Kong. Mr. Li had also held the positions of executive director and chief financial officer of certain companies listed in Hong Kong.

Changes in Directors’ Remuneration

Commencing 1 January 2010, the remuneration which includes basic salaries, allowances and other benefits for Messrs. Liang Jiang, Tan Yunbiao and Sung Hem Kuen, amounts to approximately HK\$540,000, HK\$410,000 and HK\$980,000 per annum respectively.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Audit Committee

The Company established an audit committee (“Audit Committee”) in 1999 and its terms of reference are in line with the CG Code. The Audit Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon (chairman of the Audit Committee), Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company’s financial reports and the Group’s internal controls and risk management systems.

The Audit Committee holds regular meetings and it met three times during the six months ended 30 June 2010.

Supplementary Information (Continued)

Compensation Committee

The Company established a compensation committee ("Compensation Committee") in 1999 and its terms of reference are in line with the CG Code. The Compensation Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar (chairman of the Compensation Committee). The principal duties of the Compensation Committee include, inter alia, making recommendations to the Board relating to the Company's policy for directors' and senior management's remuneration, determining the executive directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss or termination of offices.

During the six months ended 30 June 2010, a meeting was held by the Compensation Committee to explore relevant issues.

Nomination Committee

The Company established a nomination committee ("Nomination Committee") in 2005 and its terms of reference are in line with the CG Code. The Nomination Committee comprises the chairman of the Board, Mr. Liang Jiang (chairman of the Nomination Committee), and the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The principal duties of the Nomination Committee include, inter alia, identifying suitable and qualified individuals to become board members and making recommendations to the Board on appointment and reappointment of directors.

During the six months ended 30 June 2010, a meeting was held by the Nomination Committee to explore relevant issues.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2010. In addition, the Company's external auditors, KPMG, have also reviewed the aforesaid unaudited interim financial report.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Supplementary Information (Continued)

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 25 January 2008, a wholly-owned subsidiary of the Company, entered into a facility agreement (“2008 Facility Agreement”) for a term loan facility in the principal amount of up to HK\$480,000,000 with two banks (the “Lenders”), of which HK\$320,000,000 was repaid in 2009. It is provided in the 2008 Facility Agreement that if GDH ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the Lender(s) is/are entitled to request immediate repayment of the outstanding loans and all accrued interest.

On 14 June 2010, a wholly-owned subsidiary of the Company, entered into a facility agreement (“2010 Facility Agreement”) for a term loan facility in the principal amount of up to HK\$160,000,000 with a bank (the “Lender”). It is provided in the 2010 Facility Agreement that if GDH ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the Lender is entitled to request immediate repayment of the outstanding loans and all accrued interest.

Save as disclosed above, the Company does not have other disclosure obligations under Rule 13.21 of the Listing Rules.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK 3.0 cents per share (six months ended 30 June 2009: HK 1.5 cents per share) for the six months ended 30 June 2010. The interim dividend will be paid on Wednesday, 27 October 2010 to the shareholders whose names appear on the register of members on Friday, 8 October 2010.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 7 October 2010 and Friday, 8 October 2010. During these two days, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 October 2010.

By order of the Board
Liang Jiang
Chairman

Hong Kong, 27 August 2010

