

The Board of Directors (the "Board") of Guangnan (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with comparative figures. The results have been reviewed by the Company's auditors, KPMG, and the Company's audit committee.

INTERIM RESULTS

Consolidated profit and loss account for the six months ended 30 June 2006 — unaudited (Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|------------------|
| | | 2006 \$'000 | 2005 \$'000 |
| Turnover | 2 | 622,781 | 399,791 |
| Cost of sales | | <u>(541,695)</u> | <u>(343,515)</u> |
| Gross profit | | 81,086 | 56,276 |
| Other revenue | | 6,532 | 7,248 |
| Other net income | 3 | 8,585 | 215 |
| Distribution costs | | (10,913) | (5,870) |
| Administrative expenses | | (23,538) | (15,945) |
| Other operating expenses | | (6,500) | (40) |
| Profit from operations | | 55,252 | 41,884 |
| Non-operating income | | — | 44,509 |
| Net valuation gains on investment properties | | 5,867 | 22,149 |
| Finance costs | 4(a) | (1,436) | — |
| Share of profits less losses of associates | | <u>11,762</u> | <u>11,954</u> |
| Profit before taxation | 4 | 71,445 | 120,496 |
| Income tax | 5 | <u>(10,409)</u> | <u>(885)</u> |
| Profit for the period | | <u>61,036</u> | <u>119,611</u> |

Consolidated profit and loss account for the six months ended 30 June 2006 — unaudited
(continued)
(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|------------------------------------|------|--------------------------|-------------------|
| | | 2006 \$'000 | 2005 \$'000 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 58,624 | 117,355 |
| Minority interests | | <u>2,412</u> | <u>2,256</u> |
| Profit for the period | | <u>61,036</u> | <u>119,611</u> |
| Transfer to other reserves | | <u>1,734</u> | <u>876</u> |
| Earnings per share | | | |
| Basic | 7(a) | 6.5 cents | 13.0 cents |
| Diluted | 7(b) | <u>6.5 cents</u> | <u>13.0 cents</u> |

Consolidated balance sheet at 30 June 2006 — unaudited
(Expressed in Hong Kong dollars)

| | | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|--|-------------|---------------------------------|-------------------------------------|
| | <i>Note</i> | | |
| Non-current assets | | | |
| Fixed assets | | | |
| — Investment properties | | 214,533 | 207,496 |
| — Other property, plant and equipment | 8(a) | 315,860 | 167,580 |
| — Interest in leasehold land held for own use under operating leases | | <u>58,533</u> | <u>59,330</u> |
| | | 588,926 | 434,406 |
| Interest in associates | | 170,612 | 176,003 |
| Other non-current financial assets | | <u>46</u> | <u>46</u> |
| | | <u>759,584</u> | <u>610,455</u> |
| Current assets | | | |
| Trading securities | | 3,059 | 3,059 |
| Inventories | 9 | 157,280 | 236,259 |
| Trade and other receivables | 10 | 301,645 | 291,986 |
| Cash and cash equivalents | 11 | <u>186,139</u> | <u>96,871</u> |
| | | <u>648,123</u> | <u>628,175</u> |
| Current liabilities | | | |
| Bank loans secured by bill receivables | | 116,954 | 26,991 |
| Trade and other payables | 12 | 223,727 | 200,604 |
| Current taxation | | <u>17,832</u> | <u>19,602</u> |
| | | <u>358,513</u> | <u>247,197</u> |
| Net current assets | | <u>289,610</u> | <u>380,978</u> |
| Total assets less current liabilities | | <u>1,049,194</u> | <u>991,433</u> |

Consolidated balance sheet at 30 June 2006 — unaudited *(continued)*
(Expressed in Hong Kong dollars)

| | | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|--|----|---------------------------------|-------------------------------------|
| Non-current liabilities | | | |
| Deferred tax liabilities | | <u>14,908</u> | <u>12,217</u> |
| Net assets | | <u>1,034,286</u> | <u>979,216</u> |
| Capital and reserves | | | |
| Share capital | 13 | 450,792 | 450,792 |
| Reserves | | <u>555,707</u> | <u>499,090</u> |
| Total equity attributable to equity shareholders of the Company | 13 | <u>1,006,499</u> | 949,882 |
| Minority interests | 13 | <u>27,787</u> | <u>29,334</u> |
| Total equity | 13 | <u>1,034,286</u> | <u>979,216</u> |

**Consolidated statement of changes in equity for the six months ended 30 June 2006 —
unaudited**

(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | | | |
|--|------|--------------------------|----------------|---------------|----------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Total equity at 1 January: | | | | | |
| Attributable to: | | | | | |
| — Equity shareholders of the Company | 13 | 949,882 | | 760,915 | |
| — Minority interests | 13 | 29,334 | | <u>24,786</u> | |
| At 1 January | 13 | | 979,216 | | <u>785,701</u> |
| Net income for the period recognised directly in equity: | | | | | |
| Exchange difference on translation of financial statements of subsidiaries outside Hong Kong | 13 | 5,232 | | (270) | |
| Share of associates' reserves | 13 | 1,659 | | <u>(26)</u> | |
| | | | 6,891 | | <u>(296)</u> |
| Net profit for the period: | | | | | |
| Net profit for the period | 13 | | 61,036 | | <u>119,611</u> |
| Total recognised income and expense for the period carried forward | | | 67,927 | | <u>119,315</u> |

**Consolidated statement of changes in equity for the six months ended 30 June 2006 —
unaudited** (continued)

(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | | | |
|---|------|--------------------------|------------------|----------------|----------------|
| | | 2006 | | 2005 | |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Total recognised income and expense for the period brought forward | | | <u>67,927</u> | | <u>119,315</u> |
| Attributable to: | | | | | |
| — Equity shareholders of the Company | | 65,275 | | 117,074 | |
| — Minority interests | | <u>2,652</u> | | <u>2,241</u> | |
| | | <u>67,927</u> | | <u>119,315</u> | |
| Dividends declared to: | | | | | |
| — minority shareholders | 13 | | (4,199) | | (2,212) |
| — equity shareholders of the Company | | | <u>(13,524)</u> | | <u>—</u> |
| | | | <u>(17,723)</u> | | <u>(2,212)</u> |
| Capital contribution by minority shareholders | 13 | | <u>—</u> | | <u>2,207</u> |
| Movements in equity arising from capital transactions: | | | | | |
| Equity settled share-based transactions | 13 | | <u>4,866</u> | | <u>—</u> |
| Total equity at 30 June | 13 | | <u>1,034,286</u> | | <u>905,011</u> |

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The notes on pages 10 to 22 form part of this interim financial report.

**Condensed consolidated cash flow statement for the six months ended 30 June 2006 —
unaudited**

(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 |
| Cash generated from/(used in) operations | | 111,035 | (22,770) |
| Tax paid | | <u>(9,617)</u> | <u>(5,840)</u> |
| Net cash from/(used in) operating activities | | 101,418 | (28,610) |
| Net cash used in investing activities | | (88,917) | (23,189) |
| Net cash from financing activities | | <u>76,439</u> | <u>—</u> |
| Increase/(decrease) in cash and cash equivalents | | 88,940 | (51,799) |
| Cash and cash equivalents at 1 January | 11 | 96,871 | 288,749 |
| Effect of foreign exchange rates changes | | <u>328</u> | <u>—</u> |
| Cash and cash equivalents at 30 June | 11 | <u>186,139</u> | <u>236,950</u> |

The notes on pages 10 to 22 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars)

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 15 September 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The preparation of the 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 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 23.

The financial information relating to the financial year ended 31 December 2005 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 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 April 2006.

2. Turnover and segment reporting

The Group’s primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents the sales value of goods supplied to customers and rental income.

Business segments

The Group comprises the following main business segments:

- | | | |
|-------------------------------------|---|---|
| Tinplating | : | Production and sales of tinplate and related products which are used as packaging materials for food processing manufacturers |
| Foodstuffs distribution and trading | : | Distribution, purchase and sale of foodstuffs |
| Property leasing | : | Leasing of properties to generate rental income |

2. Turnover and segment reporting (continued)

| | Tinplating \$'000 | Foodstuffs distribution and trading \$'000 | Property leasing \$'000 | Inter- segment elimination \$'000 | Unallocated \$'000 | Consolidated \$'000 |
|---|----------------------|---|-------------------------------|--|-----------------------|------------------------|
| | | <i>Note (i)</i> | | | | |
| Period ended 30 June 2006 | | | | | | |
| Revenue from external customers | 569,047 | 42,149 | 11,585 | — | — | 622,781 |
| Inter-segment revenue | 1,038 | 115 | 71 | (1,224) | — | — |
| Other revenue from external customers | — | — | — | — | 13,460 | 13,460 |
| Total | 570,085 | 42,264 | 11,656 | (1,224) | 13,460 | 636,241 |
| Segment result | 35,661 | 8,381 | 8,159 | — | — | 52,201 |
| Unallocated operating income and expenses | | | | | | 3,051 |
| Profit from operations | | | | | | 55,252 |

Notes:

- (i) During the period, foodstuffs trading and live and fresh foodstuffs distribution have been combined into one business segment consistent with the Group's system of internal financial reporting. The comparative figures have been adjusted to conform with current period's presentation.
- (ii) The directors consider that change in fair value on investment properties does not constitute part of the Group's operating performance. As a result, net valuation gains or losses on investment properties are included after profit from operations. The comparative figures have been adjusted to conform with the current period's presentation.

| | Tinplating \$'000 | Foodstuffs distribution and trading \$'000 | Property leasing \$'000 | Inter- segment elimination \$'000 | Unallocated \$'000 | Consolidated \$'000 |
|---|----------------------|---|-------------------------------|--|-----------------------|------------------------|
| | | <i>Note (i)</i> | | | | |
| Period ended 30 June 2005 | | | | | | |
| Revenue from external customers | 332,477 | 54,407 | 12,907 | — | — | 399,791 |
| Inter-segment revenue | 977 | — | 56 | (1,033) | — | — |
| Other revenue from external customers | — | — | — | — | 5,160 | 5,160 |
| Total | 333,454 | 54,407 | 12,963 | (1,033) | 5,160 | 404,951 |
| Segment result | 24,246 | 7,714 | 9,287 | — | — | 41,247 |
| Unallocated operating income and expenses | | | | | | 637 |
| Profit from operations | | | | | | 41,884 |

3. Other net income

| | Note | Six months ended 30 June | |
|---|------|--------------------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 |
| Write-back of long-outstanding payables | (i) | 3,444 | — |
| Recovery of bad debts | (ii) | 1,034 | — |
| Exchange gain | | 4,109 | 182 |
| Others | | (2) | 33 |
| | | <u>8,585</u> | <u>215</u> |

Notes:

- (i) The amount mainly represents the write-back of liabilities which have been outstanding for a long period of time with no demand for settlement. The directors are of the opinion that the creditors will not lodge claims against the Group.
- (ii) The amount mainly represents the recovery of bad debts previously provided for or written off to the consolidated profit and loss account as the recoverability was in doubt. During the period, certain of these bad debts were recovered and the related provisions were written back to the consolidated profit and loss account accordingly.

4. Profit before taxation

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

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 |
| (a) Finance costs: | | | |
| Interest on bank borrowings wholly repayable within 5 years (discounted bills) | | <u>1,436</u> | <u>—</u> |
| (b) Staff costs: | | | |
| Net contributions paid to defined contribution plans | | 1,123 | 497 |
| Salaries, wages and other benefits | | 12,874 | 12,127 |
| Equity settled share-based payment expenses | | <u>4,866</u> | <u>—</u> |
| | | <u>18,863</u> | <u>12,624</u> |

4. Profit before taxation (continued)

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

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2006 \$'000 | 2005 \$'000 |
| (c) Other items: | | | |
| Amortisation of land lease premium | | 888 | 123 |
| Depreciation | | 5,450 | 2,464 |
| Dividend income from trading securities | | (118) | (118) |
| Operating lease charges in respect of properties | | 473 | 297 |
| Share of associates' taxation | (i) | 3,414 | 3,679 |
| Rentals receivable from investment properties less direct outgoings of \$748,000 (30 June 2005: \$801,000) | | <u>(10,837)</u> | <u>(12,106)</u> |

Note:

- (i) Income tax for associates established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

5. Income tax in the consolidated profit and loss account

Taxation in the consolidated profit and loss account represents:

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2006 \$'000 | 2005 \$'000 |
| Current tax — Provision for Hong Kong Profits Tax | | | |
| Provision for Hong Kong Profits Tax at 17.5% on the estimated assessable profits for the period | | <u>1,038</u> | <u>1,522</u> |
| Current tax — the PRC | | | |
| Tax for the period | | 6,827 | 9,196 |
| Under-provision in respect of prior years | | — | 612 |
| Tax refund for re-investment | (i) | <u>—</u> | <u>(12,030)</u> |
| | | <u>6,827</u> | <u>(2,222)</u> |
| Deferred tax | | | |
| Origination and reversal of temporary differences | | <u>2,544</u> | <u>1,585</u> |
| | (ii) | <u>10,409</u> | <u>885</u> |

5. Income tax in the consolidated profit and loss account (continued)

Taxation in the consolidated profit and loss account represents: (continued)

Notes:

- (i) The Group successfully obtained tax refunds of PRC Enterprise Income Tax from the Tax Bureau of Zhongshan following the capitalisation of retained earnings of Zhongshan Zhongyue Tinplate Industrial Co., Ltd ("Zhongyue Tinplate") during the year ended 31 December 2004.
- (ii) Income tax for subsidiaries established and operating in other places within the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.
- (iii) Zhongyue Tinplate is entitled to 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 on its third production line. According to the approval from Tax Bureau of Zhongshan, the proportion of income tax exempted arising from Zhongyue Tinplate's third production line is determined based on the 40% of the Zhongyue Tinplate's overall taxable income.

6. Dividends

- (a) Dividend attributable to the period

| | Six months ended 30 June | |
|---|---------------------------------|----------|
| | 2006 | 2005 |
| | \$'000 | \$'000 |
| Interim dividend declared and paid after the period of 1.5 cents per ordinary share (30 June 2005: Nil) | <u>13,524</u> | <u>—</u> |

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

- (b) Dividend attributable to the previous financial year, approved and paid during the period

| | Six months ended 30 June | |
|---|---------------------------------|----------|
| | 2006 | 2005 |
| | \$'000 | \$'000 |
| Final dividend in respect of the previous financial year, approved and paid during the period of 1.5 cents per ordinary share (30 June 2005: Nil) (Note 13) | <u>13,524</u> | <u>—</u> |

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 \$58,624,000 (30 June 2005: \$117,355,000) and the number of 901,583,285 (30 June 2005 (restated): 901,583,285) ordinary shares in issue during the period.

Pursuant to the share consolidation of the Company whereby ten ordinary shares of nominal value of \$0.05 each were consolidated into one ordinary share of nominal value of \$0.5 each in December 2005, the basic earnings per share for the period ended 30 June 2005 has been adjusted accordingly.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the period ended 30 June 2006 is based on the profit attributable to ordinary equity shareholders of the Company of \$58,624,000 and the weighted average number of ordinary shares of 901,725,417 after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes. The diluted earnings per share for the period ended 30 June 2005 is the same as the basic earnings per share as the potential ordinary shares outstanding during the period ended 30 June 2005 were anti-dilutive.

8. Fixed assets

(a) *Acquisitions and disposals*

During the six months ended 30 June 2006, the Group acquired items of property, plant and equipment with a cost of \$155,672,000 (30 June 2005: \$37,016,000).

(b) *Valuation of investment properties*

Investment properties situated in Hong Kong carried at fair value were revalued on an open market value basis at 30 June 2006 by an independent firm of surveyors, RHL Appraisal Limited, who have among their staff Fellows of Hong Kong Institute of Surveyors. Investment properties situated in the Mainland China carried at fair value were revalued by an independent firm of valuers in the PRC, 廣州朗樺會計事務所有限公司 — 中國註冊房地產估價師, on an open market value basis. Based on the valuations, a net gain of \$5,867,000 (30 June 2005: \$22,149,000), and deferred tax thereon of \$1,738,000 (30 June 2005: \$1,585,000), have been included in the consolidated profit and loss account.

(c) *Impairment losses*

Based on management's assessment of the recoverable amount of certain fixed assets, an impairment loss of \$3,178,000 has been recognised and included in other operating expenses in the consolidated profit and loss account. The estimate of the recoverable amount is based on a valuation by an independent firm of valuers in the PRC, Guangdong Yangcheng CPAs Co., Ltd, on an open market value basis. The carrying amount of the fixed assets after provision for the impairment loss amounted to \$10,400,000 as at 30 June 2006.

8. Fixed assets (continued)

(d) Leases

The Group leases out investment properties under operating leases. The leases run for an initial period of one to twenty eight years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amount of investment properties of the Group held for use in operating leases was \$214,533,000 (31 December 2005: \$207,496,000).

9. Inventories

Inventories in the consolidated balance sheet comprise:

| | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|-----------------------------|---------------------------------|-------------------------------------|
| Raw materials | 93,158 | 142,343 |
| Finished goods | 61,781 | 88,183 |
| Spare parts and consumables | 2,341 | 5,733 |
| | <u>157,280</u> | <u>236,259</u> |

Based on management's assessment of the net realisable value of certain spare parts and consumables, the amount of write-down of inventories to estimated net realisable value during the period amounted to \$3,156,000 (30 June 2005: Nil), which is included in other operating expenses in the consolidated profit and loss account.

10. Trade and other receivables

Included in trade and other receivables are trade debtors and bill receivables (net of provision for bad and doubtful debts) with the following ageing analysis based on invoice date:

| | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|--|---------------------------------|-------------------------------------|
| Within 1 month | 130,979 | 76,003 |
| 1 to 3 months | 132,044 | 74,666 |
| More than 3 months but less than 12 months | 31,757 | 63,210 |
| | <u>294,780</u> | <u>213,879</u> |

The Group maintains a credit policy ranging from advance payment to not more than 180 days (31 December 2005: 180 days).

11. Cash and cash equivalents

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

| | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|--------------------------|---------------------------------|-------------------------------------|
| Deposits with banks | 79,817 | 47,815 |
| Cash at bank and in hand | <u>106,322</u> | <u>49,056</u> |
| | (i) <u>186,139</u> | <u>96,871</u> |

Note:

- (i) Included in cash and cash equivalents is a balance of RMB56,108,000 (31 December 2005: RMB29,049,000). Renminbi is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

12. Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

| | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|---------------------------------|---------------------------------|-------------------------------------|
| Due within 1 month or on demand | <u>98,782</u> | <u>95,447</u> |

13. Capital and reserves

| | Attributable to equity shareholders of the Company | | | | | | | | Minority interests | Total equity |
|--|--|------------------|----------------------------------|--------------------|---------------------|-------------------|-----------------------|----------------|-----------------------|-----------------|
| | Share capital | Share premium | Capital redemption reserve | Capital reserve | Exchange reserve | Other reserves | Accumulated losses | Total | | |
| Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2005 | 901,583 | 1,747,098 | 971 | 48,814 | (948) | 1,450 | (1,938,053) | 760,915 | 24,786 | 785,701 |
| Exchange difference on translation of financial statements of subsidiaries outside Hong Kong | — | — | — | — | (255) | — | — | (255) | (15) | (270) |
| Transfer to statutory reserves | — | — | — | — | — | 876 | (876) | — | — | — |
| Share of associates' reserves | — | — | — | — | (26) | — | — | (26) | — | (26) |
| Dividend declared to minority shareholders | — | — | — | — | — | — | — | — | (2,212) | (2,212) |
| Capital contribution by minority shareholders | — | — | — | — | — | — | — | — | 2,207 | 2,207 |
| Profit for the period | — | — | — | — | — | — | 117,355 | 117,355 | 2,256 | 119,611 |
| At 30 June 2005 | <u>901,583</u> | <u>1,747,098</u> | <u>971</u> | <u>48,814</u> | <u>(1,229)</u> | <u>2,326</u> | <u>(1,821,574)</u> | <u>877,989</u> | <u>27,022</u> | <u>905,011</u> |

13. Capital and reserves (continued)

| Note | Attributable to equity shareholders of the Company | | | | | | | | | | |
|--|--|---------------|----------------------------|-----------------|------------------|-------------------------|----------------|--|---------|--------------------|--------------|
| | Share capital | Share premium | Capital redemption reserve | Capital reserve | Exchange reserve | Special capital reserve | Other reserves | (Accumulated losses)/ retained profits | Total | Minority interests | Total equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2005 | 901,583 | 1,747,098 | 971 | 48,814 | (1,229) | — | 2,326 | (1,821,574) | 877,989 | 27,022 | 905,011 |
| Exchange difference on translation of financial statements of subsidiaries outside Hong Kong | — | — | — | — | 9,892 | — | — | — | 9,892 | 552 | 10,444 |
| Transfer to statutory reserves | — | — | — | — | — | — | 457 | (457) | — | — | — |
| Share of associates' reserves | — | — | — | — | 3,635 | — | — | — | 3,635 | — | 3,635 |
| Dividend declared to minority shareholders | — | — | — | — | — | — | — | — | — | (20) | (20) |
| Reserve realised upon liquidation of a subsidiary | — | — | — | — | (38) | — | — | — | (38) | — | (38) |
| Elimination upon capital reorganisation | (450,791) | (1,747,098) | (971) | (48,157) | — | 107,440 | — | 2,139,577 | — | — | — |
| Profit for the period | — | — | — | — | — | — | — | 58,404 | 58,404 | 1,780 | 60,184 |
| At 31 December 2005 | 450,792 | — | — | 657 | 12,260 | 107,440 | 2,783 | 375,950 | 949,882 | 29,334 | 979,216 |

| Note | Attributable to equity shareholders of the Company | | | | | | | | | | |
|--|--|---------------|----------------------------|-----------------|------------------|-------------------------|----------------|------------------|-----------|--------------------|--------------|
| | Share capital | Share premium | Capital redemption reserve | Capital reserve | Exchange reserve | Special capital reserve | Other reserves | Retained profits | Total | Minority interests | Total equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2006 | 450,792 | — | — | 657 | 12,260 | 107,440 | 2,783 | 375,950 | 949,882 | 29,334 | 979,216 |
| Exchange difference on translation of financial statements of subsidiaries outside Hong Kong | — | — | — | — | 4,992 | — | — | — | 4,992 | 240 | 5,232 |
| Equity settled share-based transactions (i) | — | — | — | 4,866 | — | — | — | — | 4,866 | — | 4,866 |
| Share of associates' reserves | — | — | — | — | 1,659 | — | — | — | 1,659 | — | 1,659 |
| Transfer to statutory reserves | — | — | — | — | — | — | 1,734 | (1,734) | — | — | — |
| Dividends declared to minority shareholders | — | — | — | — | — | — | — | — | — | (4,199) | (4,199) |
| Dividends paid to shareholders 6(b) | — | — | — | — | — | — | — | (13,524) | (13,524) | — | (13,524) |
| Profit for the period | — | — | — | — | — | — | — | 58,624 | 58,624 | 2,412 | 61,036 |
| At 30 June 2006 | 450,792 | — | — | 5,523 | 18,911 | 107,440 | 4,517 | 419,316 | 1,006,499 | 27,787 | 1,034,286 |

13. Capital and reserves (continued)

(i) Equity settled share-based transactions

On 9 March 2006, 11,770,000 share options were granted for nominal consideration to employees, directors and non-executive directors of the Company under the Company's share option scheme (no share option was granted during the six months ended 30 June 2005). Each option gives the holder the right to subscribe for one ordinary share of \$0.50 each of the Company. These share options will vest on 9 June 2006 and then be exercisable until 8 March 2016. The exercise price is \$1.66, being the average closing price of the Company's ordinary shares for the five business days immediately preceding the date of grant of the share options.

No option was exercised during the six months ended 30 June 2006 (30 June 2005: nil).

Total options outstanding at 30 June 2006 are 23,560,000 (31 December 2005: 11,790,000) and the weighted average exercise price is \$1.609 (31 December 2005: \$1.557).

14. Retirement benefits scheme

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 profit and loss account for the six months ended 30 June 2006 was \$1,123,000 (30 June 2005: \$497,000).

15. Commitments

- (a) *Capital commitments outstanding at 30 June 2006 not provided for in the financial statements were as follows:*

| | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|-----------------------------------|---|-------------------------------------|
| Contracted for | 162,399 | 131,433 |
| Authorised but not contracted for | <u>43,089</u> | <u>168,005</u> |
| | <u>205,488</u> | <u>299,438</u> |

- (b) *At 30 June 2006, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:*

| | At 30 June 2006 \$'000 | At 31 December 2005 \$'000 |
|---------------------------------|---|-------------------------------------|
| Within 1 year | 815 | 697 |
| After 1 year but within 5 years | <u>142</u> | <u>385</u> |
| | <u>957</u> | <u>1,082</u> |

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

- (c) At 30 June 2006, the Company is committed to provide finance of \$6,489,000 (31 December 2005: \$6,489,000) to an associate of the Group.

16. Material related party transactions

Other than those disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions.

(a) *Material related party transactions during the period are summarised as follows:*

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 |
| Sales of goods to related companies | (i) | <u>—</u> | <u>1,180</u> |
| Purchases of goods from related companies | (i) | <u>476</u> | <u>608</u> |
| Provision of electricity/water and leasing services to fellow subsidiaries | | <u>2,092</u> | <u>1,665</u> |
| Maintenance fee paid to the immediate holding company | | <u>189</u> | <u>204</u> |

Note:

(i) Related companies to/from which goods were sold and purchased include associates.

(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 above, 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 do not depend on whether the counterparties are state-controlled entities or not.

16. Material related party transactions (continued)

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

Having considered the potential transactions impacted by related party relationships, the entity'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 financial statements, the directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

(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 | |
|------------------------------|--------------------------|--------------|
| | 2006 | 2005 |
| | \$'000 | \$'000 |
| Short-term employee benefits | 1,555 | 1,553 |
| Post-employment benefits | 239 | 237 |
| Equity compensation benefits | 1,778 | — |
| | <u>3,572</u> | <u>1,790</u> |

17. Non-adjusting post balance sheet events

On 13 September 2006, the Group entered the contracts to acquire from the minority shareholder the 5% equity interest and dividend payable respectively in Zhongyue Tinplate and Zhongshan Shan Hai Industrial Co., Ltd ("Shanghai") for a consideration of US\$499,000.

Zhongyue Tinplate and Shanghai will become wholly-owned subsidiaries of the Company when the approval is obtained from the relevant PRC authorities.

18. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2006

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2006:

| | Effective for accounting periods beginning on or after |
|---|--|
| HKFRS 7, Financial instruments: disclosures | 1 January 2007 |
| Amendments to HKAS 1, Presentation of financial statements: capital disclosures | 1 January 2007 |

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the Group will not early apply them, where applicable when preparing the Group's annual financial statements for the year ending 31 December 2006.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.