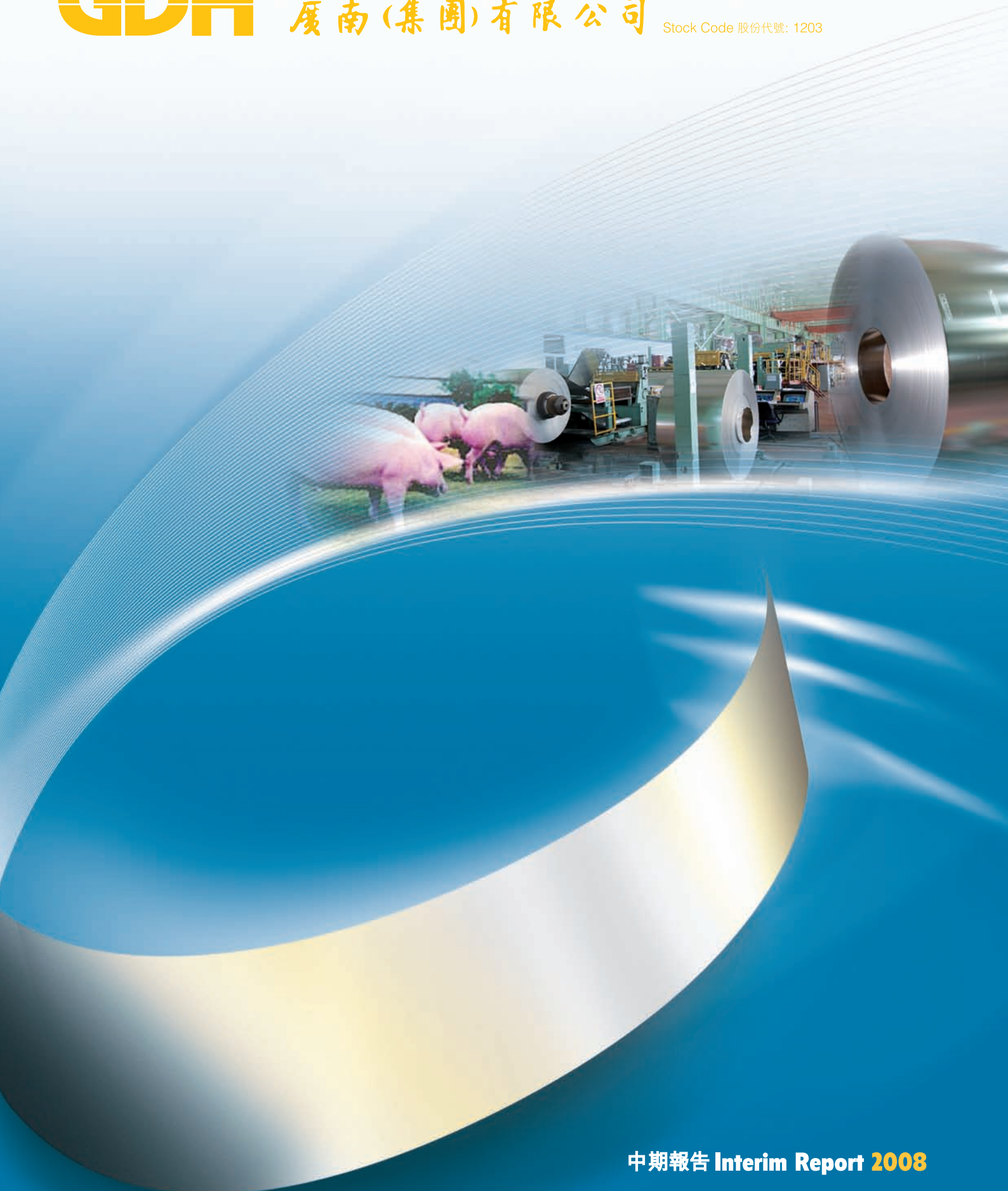




GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

Stock Code 股份代號: 1203



中期報告 Interim Report 2008



GUANGNAN (HOLDINGS) LIMITED

Interim Report 2008

Contents

02	Corporate Information
03	Financial Highlights
04	Business Review, Management Discussion and Analysis, Prospects and Other Information
08	Independent Review Report
	Unaudited Interim Financial Report
09	Consolidated Income Statement
10	Consolidated Balance Sheet
12	Consolidated Statement of Changes in Equity
13	Condensed Consolidated Cash Flow Statement
14	Notes to the Unaudited Interim Financial Report
32	Supplementary Information

Corporate Information

(As at 12 September 2008)

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

LUO Fanyu

HOU Zhuobing

Independent Non-Executive Directors

Gerard Joseph McMAHON

TAM Wai Chu, Maria

LI Kar Keung, Caspar

Qualified Accountant

SUNG Hem Kuen

Company Secretary

SUNG Hem Kuen

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>

Auditors

KPMG

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 Construction Bank Corporation, Zhongshan Branch

The Agricultural Bank of China, Qinhuangdao Branch

Industrial and Commercial Bank of China Limited, Qinhuangdao Branch

Share Registrar

Computershare Hong Kong Investor Services Limited

Rooms 1712–1716, 17th 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>	2 October 2008 and 3 October 2008
<i>Interim Dividend</i>	HK2.0 cents per share
<i>Payment Date</i>	20 October 2008

Financial Highlights

(Expressed in Hong Kong dollars)



Unaudited financial highlights

	Six months ended 30 June		
	2008 \$'000	2007 \$'000	Change
Turnover	1,374,163	688,733	+99.5%
Profit from operations	140,092	59,106	+137.0%
Profit attributable to shareholders	112,207	118,207	-5.1%
Basic earnings per share	12.39 cents	13.09 cents	-5.3%
Interim dividend per share	2.0 cents	2.0 cents	—
	At 30 June 2008 \$'000	At 31 December 2007 \$'000	Change
Total assets	3,001,229	2,357,589	+27.3%
Shareholders' equity	1,472,576	1,301,504	+13.1%

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

Results

For the first half of 2008, the Group's results were satisfactory. The unaudited consolidated profit attributable to shareholders of the Company was HK\$112,207,000, representing a decrease of 5.1% from HK\$118,207,000 of the corresponding period last year. However, the profit from operations for the first half of 2008 which excludes non-operating income and valuation gains on investment properties was HK\$140,092,000, representing an increase of 137.0% from HK\$59,106,000 of the corresponding period last year. Basic earnings per share was HK12.39 cents, a decrease of 5.3% from HK13.09 cents of the corresponding period last year.

Interim Dividend

The Board declares the payment of an interim dividend for the six months ended 30 June 2008 of HK2.0 cents per share (six months ended 30 June 2007: HK2.0 cents per share).

Business Review

During the period under review, all business segments of the Group developed at an accelerated pace. The Group's consolidated turnover was HK\$1,374,163,000, representing an increase of HK\$685,430,000, or 99.5%, from HK\$688,733,000 of the corresponding period last year. Such increase was mainly attributable to the growth in the tinplating business. The black-plate manufacturing plant, with the production capacity of 150,000 tonnes per annum, commenced production at the beginning of last year and provided steady supply of black-plates, the major raw material for the production of tinplates. Moreover, the tinplating plant with a production capacity of 250,000 tonnes tinplates per annum established in Qinhuangdao City in Hebei Province jointly by the Group and POSCO Co., Ltd. ("POSCO"), an internationally renowned steel enterprise, commenced production in February 2008, raising the Group's production capacity of tinplates from 200,000 tonnes in 2007 to the current level of 450,000 tonnes, reaching a higher rung of the ladder in terms of its scale. On the other hand, as the business of distribution of live pigs was successfully embarked upon in December 2007, the live and fresh foodstuffs segment has become a new source of growth for the Group.

Tinplating

As at 30 June 2008, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") is a wholly-owned subsidiary of the Company. The Company holds 66% interests in Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") while the remaining 34% is held by POSCO.

During the first half of 2008, the tinplate production and sales volume of the Group were 160,976 tonnes and 143,806 tonnes, an increase of 84.0% and 62.0% respectively compared with the corresponding period last year. Turnover was HK\$1,255,926,000, representing an increase of 102.9% compared with the corresponding period last year. Operating profit was HK\$74,659,000, an increase of HK\$29,794,000, or 66.4% compared with the corresponding period last year. The tinplating business made the greatest profit contribution to the Group, with its turnover and operating profit accounting for 91.4% and 53.3% of the Group's turnover and operating profit respectively. Despite the rapid increase of steel prices within a short period of time resulting from the significant rise in prices of raw materials including iron ore during the period, the Group maintained a stable gross profit margin amid significant growth in sales volume through its flexible market strategy and effective cost control.



After the tinplating plant, established jointly by the Group and POSCO in Qinhuangdao City in Hebei Province, commenced production in February 2008, the strategic deployment of two major tinplating production bases in the northern and southern regions was basically completed, contributing to a substantial increase in both the production and export sales of high-end products. Meanwhile, the quality and quantity of products produced by the black-plate manufacturing plant situated in Zhongshan also enhanced continuously, providing a stable source of raw materials, black-plates, for the production of tinplates as well as helping the Group to control product costs and penetrate the tinplating sub-markets on a full scale.

Fresh & Live Foodstuffs

During the first half of 2008, turnover of the fresh and live foodstuffs business amounted to HK\$105,506,000, representing an increase of HK\$49,116,000 or 87.1% as compared with the corresponding period last year. An operating profit of HK\$42,851,000, which was an increase of HK\$31,360,000 or 272.9% from the corresponding period last year, was realized primarily due to the embarkation of live pigs distribution since December 2007. Notwithstanding fierce market competition and limitations such as insufficient enclosure spaces, the business grew healthily on the back of the tremendous vibrancy of our operations team and the strong support from predominant suppliers.

Property Leasing

The Group's leasing properties include the plant and staff dormitory of Zhongshan Shan Hai Industrial Co., Ltd. ("Shanghai"), and the office building in Hong Kong.

In the first half of 2008, the total turnover from property leasing business was HK\$12,731,000, a decrease of 4.3% compared with the corresponding period last year. Profit from operations of leasing properties was HK\$9,214,000, representing an increase of 1.7% as compared with the corresponding period last year.

Associates

During the first half of 2008, Yellow Dragon Food Industry Co., Limited ("Yellow Dragon"), a major associate of the Group, recorded a sales volume of 198,679 tonnes of corn starch, its major products, representing an increase of 5.1% compared with the corresponding period last year. Turnover of Yellow Dragon amounted to HK\$768,112,000, a growth of 27.2% compared with the corresponding period last year while profit attributable to shareholders amounted to HK\$48,273,000, an increase of HK\$14,233,000 or 41.8%.

Financial Position

As at 30 June 2008, the Group's total assets and total liabilities amounted to HK\$3,001,229,000 and HK\$1,421,285,000, representing an increase of HK\$643,640,000 and HK\$452,943,000 respectively compared with the positions at the end of 2007. The net current assets increased from HK\$62,478,000 at the end of 2007 to HK\$468,431,000 and the current ratio (current assets divided by current liabilities) increased from 1.07 as at the end of 2007 to 1.47.

Liquidity and Financial Resources

As at 30 June 2008, the Group maintained cash and cash equivalent balances of HK\$334,599,000, including pledged bank balance of HK\$144,078,000. An amount of HK\$281,988,000 was denominated in Renminbi and HK\$17,834,000 was denominated in United States ("US") dollars while the remaining balance was denominated in Hong Kong dollars. Cash and cash equivalent balances increased by 127.6% from the end of the 2007.

As at 30 June 2008, the Group's borrowings comprise 1) bank borrowings of HK\$770,043,000 (31 December 2007: HK\$503,428,000), of which HK\$166,294,000 (31 December 2007: HK\$281,720,000) is unsecured, HK\$Nil (31 December 2007: HK\$168,988,000) is secured by bills receivable, HK\$480,000,000 (31 December 2007: HK\$Nil) is secured by investment properties in Hong Kong and HK\$123,749,000 (31 December 2007: HK\$52,720,000) is secured by bank deposits of HK\$123,729,000 (31 December 2007: HK\$50,571,000); 2) a loan from immediate holding company of HK\$21,216,000 (31 December 2007: HK\$21,216,000); and 3) loans from minority shareholder of HK\$11,270,000 (31 December 2007: HK\$Nil). 49.5% of the Group's borrowings (31 December 2007: 84.7%) is repayable within one year, and the remaining balance is repayable within three years. All the borrowings were subject to an annual interest rate of 2.02% to 11.77% (2007: 2.10% to 6.72%). 10.6% and 10.1% of the Group's borrowings were guaranteed by a subsidiary of the Group and by the minority shareholder of the Group's non-wholly owned subsidiary, respectively.

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 31.8% (31 December 2007: 29.0%). The increase was primarily due to the funding requirements for the development of the Group's tinplating business.

As at 30 June 2008, the Group's total available banking facilities amounted to HK\$1,184,898,000, of which HK\$816,173,000 was utilised banking facilities and HK\$368,725,000 was unutilised. 19.2% of the Group's banking facilities was guaranteed by a subsidiary of the Group and by the minority shareholder of the Group's non-wholly owned subsidiary, while 40.5% of the Group's banking facilities was guaranteed by the Company which also provided the investment properties situated in Hong Kong as collateral. The cash reserve and available facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

On 25 January 2008, the Group entered into a facility agreement (the "Loan Agreement") with Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited. Pursuant to the Loan Agreement, a secured loan facility in the amount of HK\$480,000,000 for a term of 3 years was made available to the Group's drawdown. The loan is interest-bearing at floating rates to fund the general corporate financing requirements of the Group. The loan fully reflected the banks' confidence and recognition of the credit standing and prospects of the Group.

Charge on Assets

As at 30 June 2008, certain assets of the Group with an aggregate carrying value of HK\$248,978,000 (31 December 2007: HK\$224,888,000) 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 is in the PRC and Hong Kong. During the period, the exchange rates of Hong Kong dollars and US dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the impact from the appreciation of Renminbi against US dollars, since majority of the Group's sales are settled in Renminbi, whereas the purchases are mainly made in Renminbi or US dollars, the Group does not have material exposure to foreign exchange.



The majority of the Group's borrowings bears interests at floating rates. The management pays attention to variations in interest rates. 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 2008, there were forward foreign exchange contracts entered into by the Group to hedge certain foreign currencies loans which amounted to US\$11,942,000 and JPY416,371,000 (equivalent to HK\$123,749,000 in aggregate) (31 December 2007: US\$3,022,000 and JPY416,371,000 (equivalent to HK\$52,720,000 in aggregate)). Except for these borrowings, other borrowings are denominated in the functional currency of the entity taking out the loans or, in US dollars. In view of the anticipated appreciation of Renminbi against US dollars, management does not consider the currency risk to be significant.

Employees and Remuneration Policies

As at 30 June 2008, the Group had a total of 1,148 full-time employees, an increase of 106 from the end of 2007. 71 of the employees were based in Hong Kong and 1,077 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 2008, the Group continued to implement control on the headcount, organization 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 operation and profit after taxation. In addition, bonus 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 Group has also adopted a share option scheme to encourage excellent participants to keep up with their contribution to the Group.

Prospects

Although the uncertainties of global and domestic economic trend have increased, the global and domestic market demand for tinsplates is still growing. After years of strenuous efforts, the Group has made remarkable progress in its major business segment, tinplating, by enhancing its production scale, supply of raw materials and expansion into the international market. Going forward, the Group will seek to further enhance quality control of its products, foster development of new products and new applications, and promote environmental friendliness exemplified in the course of its production. Leveraging on the aforesaid efforts and the healthy development of our fresh and live foodstuffs business, the operating results of the Group is expected to experience further increase.

Independent Review Report



INDEPENDENT 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 9 to 31 which comprises the consolidated balance sheet of Guangnan (Holdings) Limited as of 30 June 2008 and the related consolidated statements of income, and 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 2008 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

12 September 2008

Consolidated Income Statement

for the six months ended 30 June 2008 — unaudited
(Expressed in Hong Kong dollars)



	Note	Six months ended 30 June	
		2008 \$'000	2007 \$'000
Turnover	2	1,374,163	688,733
Cost of sales		(1,217,900)	(600,350)
Gross profit		156,263	88,383
Other revenue	3	8,387	9,605
Other net income	3	40,408	3,366
Distribution costs		(23,333)	(12,260)
Administrative expenses		(37,580)	(24,418)
Other operating expenses		(4,053)	(5,570)
Profit from operations		140,092	59,106
Non-operating income	4(a)	—	40,021
Valuation gains on investment properties		2,049	12,791
Finance costs	4(b)	(15,071)	(4,097)
Share of profits less losses of associates		19,106	13,463
Profit before taxation	4	146,176	121,284
Income tax	5	(19,942)	(3,400)
Profit for the period		126,234	117,884
Attributable to:			
Equity shareholders of the Company		112,207	118,207
Minority interests		14,027	(323)
Profit for the period		126,234	117,884
Dividends payable to equity shareholders of the Company attributable to the period:			
Interim dividend declared after the balance sheet date	6	18,112	18,078
Earnings per share			
Basic	7(a)	12.39 cents	13.09 cents
Diluted	7(b)	12.39 cents	13.06 cents

The notes on pages 14 to 31 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2008 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Non-current assets			
Fixed assets			
— Investment properties		277,320	264,224
— Other property, plant and equipment		944,980	858,560
— Interest in leasehold land held for own use under operating leases		109,535	107,100
	8	1,331,835	1,229,884
Interest in associates		210,421	199,010
		1,542,256	1,428,894
Current assets			
Trading securities		4,894	6,399
Inventories	9	488,206	321,343
Trade and other receivables, deposits and prepayments	10	630,818	453,488
Current taxation recoverable		456	456
Cash and cash equivalents	11	334,599	147,009
		1,458,973	928,695
Current liabilities			
Trade and other payables	12	571,155	401,731
Bank loans	13(a)	364,738	423,336
Loan from immediate holding company	13(b)	21,216	21,216
Loans from minority shareholder	13(c)	11,270	—
Current taxation payable		22,163	19,934
		990,542	866,217
Net current assets		468,431	62,478
Total assets less current liabilities		2,010,687	1,491,372

Consolidated Balance Sheet (continued)

at 30 June 2008 — unaudited
(Expressed in Hong Kong dollars)



	Note	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Non-current liabilities			
Bank loans	13(a)	405,305	80,092
Deferred tax liabilities		25,438	22,033
		430,743	102,125
Net assets		1,579,944	1,389,247
Capital and reserves	14		
Share capital		452,802	452,802
Reserves		1,019,774	848,702
Total equity attributable to equity shareholders of the Company		1,472,576	1,301,504
Minority interests	14	107,368	87,743
Total equity		1,579,944	1,389,247

The notes on pages 14 to 31 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2008		2007	
	\$'000	\$'000	\$'000	\$'000
Total equity at 1 January:				
Attributable to equity shareholders of the Company	1,301,504		1,073,269	
Minority interests	87,743		37,642	
		1,389,247		1,110,911
Net income for the period recognised directly in equity:				
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		82,575		30,408
Net profit for the period		126,234		117,884
Total recognised income and expenses for the period		208,809		148,292
Attributable to:				
— Equity shareholders of the Company	189,184		147,978	
— Minority interests	19,625		314	
		208,809		148,292
Dividends approved in respect of the previous year		(18,112)		(18,072)
Acquisition of minority interests		—		(37,642)
Movements in equity arising from capital transactions:				
Capital contributions by minority shareholders	—		79,962	
Exercise of share options	—		3,670	
		—		83,632
Total equity at 30 June		1,579,944		1,287,121

The notes on pages 14 to 31 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2008 — unaudited
(Expressed in Hong Kong dollars)



	Note	Six months ended 30 June	
		2008 \$'000	2007 \$'000
Cash generated from/(used in) operations		10,016	(69,175)
Tax paid		(15,773)	(6,909)
Net cash used in operating activities		(5,757)	(76,084)
Net cash used in investing activities		(64,858)	(127,349)
Net cash generated from financing activities		163,981	211,212
Increase in cash and cash equivalents		93,366	7,779
Cash and cash equivalents at 1 January	11	91,109	157,737
Effect of foreign exchange rates changes		6,046	1,379
Cash and cash equivalents at 30 June	11	190,521	166,895

The notes on pages 14 to 31 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 12 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

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 2007 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 8.

The financial information relating to the financial year ended 31 December 2007 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 2007 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 April 2008.

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, commission income from foodstuffs distribution 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 the food processing manufacturers
- Fresh and live foodstuffs : Distribution, purchase and sales of fresh and live foodstuffs
- Property leasing : Leasing of properties to generate rental income

	Tinplating \$'000	Fresh and live foodstuffs \$'000	Property leasing \$'000	Inter- segment elimination \$'000	Unallocated \$'000	Consolidated \$'000
	(Note(i))	(Note(ii))				
Six months ended 30 June 2008						
Revenue from external customers	1,255,926	105,506	12,731	—	—	1,374,163
Inter-segment revenue	—	—	87	(87)	—	—
Other revenue from external customers	7,418	757	34	—	60	8,269
Total	1,263,344	106,263	12,852	(87)	60	1,382,432
Segment result	74,659	42,851	9,214			126,724
Unallocated operating income and expenses						13,368
Profit from operations						140,092
Share of profits less losses of associates	—	—	—	—	19,106	19,106
Valuation gains on investment properties	—	—	2,049	—	—	2,049
Finance costs						(15,071)
Profit before taxation						146,176

2. Turnover and segment reporting (continued)*Business segments (continued)*

	Tinplating \$'000 <i>(Note(i))</i>	Fresh and live foodstuffs \$'000 <i>(Note(ii))</i>	Property leasing \$'000	Inter- segment elimination \$'000	Unallocated \$'000	Consolidated \$'000
Six months ended 30 June 2007						
Revenue from external customers	619,034	56,390	13,309	—	—	688,733
Inter-segment revenue	—	—	119	(119)	—	—
Other revenue from external customers	7,830	1,202	38	—	417	9,487
Total	626,864	57,592	13,466	(119)	417	698,220
Segment result	44,865	11,491	9,060			65,416
Unallocated operating income and expenses						(6,310)
Profit from operations						59,106
Non-operating income						40,021
Share of profits less losses of associates	—	—	—	—	13,463	13,463
Valuation gains on investment properties	—	—	12,791	—	—	12,791
Finance costs						(4,097)
Profit before taxation						121,284

Notes:

- (i) The production and sales of tinplate products by a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") commenced in February 2008 following the completion of the construction of tinplate production facilities during the period. This contributes to the increase in revenue and segment result in the tinplating segment for the current period.
- (ii) The Group commenced its business as Hong Kong's second distributor for live pigs from mainland China in December 2007. The result is included under fresh and live foodstuffs segment for the current period.

3. Other revenue and net income*Other revenue*

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Sales of scrap materials	6,161	6,467
Interest income	1,344	1,485
Management income	—	199
Dividends from listed securities	118	118
Subsidies received	—	354
Others	764	982
	8,387	9,605

Other net income

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Net realised and unrealised (loss)/gain on trading securities	(1,505)	1,741
Net gain on forward foreign exchange contracts	605	—
Exchange gain	41,308	1,625
	40,408	3,366

4. Profit before taxation

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

	Note	Six months ended 30 June	
		2008 \$'000	2007 \$'000
(a) Non-operating income:			
Gain on acquisition of minority interests in subsidiaries and dividends payable to the related minority shareholder		—	(40,021)

4. Profit before taxation (continued)

(a) Non-operating income: (continued)

During the previous period, the Group acquired from the minority shareholder the 5% equity interest in each of Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongshan Shan Hai Industrial Co., Ltd. ("Shanghai") together with the dividends payable by Zhongyue Tinplate and Shanghai to the minority shareholder for a total consideration of US\$499,000 (equivalent to \$3,890,000). Following the acquisition, Zhongyue Tinplate and Shanghai became wholly-owned subsidiaries of the Group. The gain represents the excess of the consideration paid over the carrying value of the minority interests acquired and dividends payable transferred to the Group. Both the Group and the minority shareholder are state-controlled entities in the People's Republic of China ("PRC").

		Six months ended 30 June	
		2008	2007
		\$'000	\$'000
	Note		
(b) Finance costs:			
	Interest on bank advances and other borrowings wholly repayable within 5 years	15,711	4,097
	Interest on loan from immediate holding company	327	—
		16,038	4,097
	Less: interest expenses capitalised into construction in progress	(967)	—
		15,071	4,097
(c) Staff costs:			
	Net contributions paid to defined contribution plans	3,990	2,174
	Salaries, wages and other benefits	39,159	20,214
		43,149	22,388
(d) Other items:			
	Amortisation of land lease premium	1,414	895
	Depreciation	35,085	16,126
	Operating lease charges in respect of properties	1,432	448
	Share of associates' taxation	6,433	1,857
	Rentals receivable from investment properties less direct outgoings of \$1,251,000 (30 June 2007: \$1,071,000)	(11,480)	(12,238)

4. Profit before taxation (continued)

Notes:

- (i) The amount represents interest expenses paid for a bank loan borrowed by a subsidiary of the Group specifically for the purpose of the construction of fixed assets.
- (ii) The increase in depreciation compared with the previous period is mainly due to the commencement of operation of the tinplate production facilities in Qinhuangdao City, Hebei Province, the PRC.
- (iii) 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 income statement

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
Note	2008 \$'000	2007 \$'000
Current tax — Provision for Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax at 16.5% (2007: 17.5%) on the estimated assessable profits for the period	2,038	131
Current tax — the PRC		
Tax for the period	15,964	6,042
Deferred tax		
Origination and reversal of temporary differences	1,940	2,584
Effect of change in tax rate in the PRC	—	(5,357)
	1,940	(2,773)
(i)	19,942	3,400

Notes:

- (i) The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period. Income tax for subsidiaries 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.
- (ii) During the period, the Government of Hong Kong Special Administrative Region promulgated a decrease in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008–09 and a one-off reduction of 75% of the tax payable for the 2007–08 assessment subject to a ceiling of \$25,000. These changes are taken into account in the preparation of the Group's 2008 interim financial report.

5. Income tax in the consolidated income statement (continued)

- (iii) 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 rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for certain PRC subsidiaries of the Group is gradually changed to the standard rate of 25% over a five-year transition period beginning in year 2008. The impact arising from the change in tax rate is taken into account in the preparation of the Group's interim financial report. The details of the tax relief are disclosed in the following notes.
- (iv) In 2006, a subsidiary, Zhongyue Tinplate, was granted 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 new production line beginning from 2006. According to the approval from the Tax Bureau of Zhongshan, the proportion of deemed profit from Zhongyue Tinplate's new production line is calculated based on the 40% of the overall taxable income of Zhongyue Tinplate. However, a formal notice on the transitional arrangement under the new tax law has not been issued by the relevant tax authorities up to the date of issue of this interim financial report. In view of this, Zhongyue Tinplate has adopted the standard PRC Enterprise Income Tax rate of 25% for tax provision purposes for the six months ended 30 June 2008 (2007: 10.8%). When the final arrangement is known, any over-provision for income tax expense will be accounted for in future periods.
- (v) 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 was received up to the date of issue of this interim financial report. The directors believe that Zhongyue Posco could enjoy such tax benefits and therefore no tax provision has been made for the current period.

6. Dividends

- (a)
- Dividends attributable to the period*

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Interim dividend declared after the interim period of 2.0 cents per ordinary share (30 June 2007: 2.0 cents per ordinary share)	18,112	18,078

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

6. Dividends (continued)(b) *Dividends attributable to the previous financial year, approved and paid during the period*

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Final dividend in respect of the previous financial year, approved and paid during the period of 2.0 cents per ordinary share (30 June 2007: 2.0 cents per ordinary share) (note 14)	18,112	18,072

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 \$112,207,000 (30 June 2007: \$118,207,000) and the weighted average number of 905,603,285 (30 June 2007: 903,335,329) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2008 '000	2007 '000
Issued ordinary shares at 1 January	905,603	901,583
Effect of share options exercised	—	1,752
Weighted average number of ordinary shares at 30 June	905,603	903,335

(b) *Diluted earnings per share*

The diluted earnings per share for the six months ended 30 June 2008 is the same as the basic earnings per share as the potential ordinary shares in respect of outstanding share options were anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2007 was based on the profit attributable to ordinary equity shareholders of the Company of \$118,207,000 and the weighted average number of ordinary shares of 905,280,749 after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

8. Fixed assets**(a) Acquisitions**

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of \$70,236,000 (30 June 2007: \$236,314,000).

(b) Investment properties

Investment properties situated in Hong Kong carried at fair value were revalued on an open market value basis at 30 June 2008 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their staff Members of Hong Kong Institute of Surveyors. Investment properties situated in the PRC carried at fair value were revalued by an independent firm of valuers in the PRC, 廣東財興資產評估土地房地產估價有限公司, on an open market value basis. Based on the valuation, a gain of \$2,049,000 (30 June 2007: \$12,791,000), and deferred tax thereon of \$463,000 (30 June 2007: \$2,640,000), have been included in the consolidated income statement.

Investment properties in Hong Kong are pledged to secure the bank loans of \$480,000,000 (note 13(a)(iv)).

(c) 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 leases after that date 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 \$277,320,000 (31 December 2007: \$264,224,000).

9. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Raw materials, spare parts and consumables	275,723	213,805
Work in progress	22,116	48,837
Finished goods	190,367	58,701
	488,206	321,343

Based on management's assessment of the net realisable value of inventories, there is no write-down to estimated net realisable value during the period (30 June 2007: \$Nil).

10. Trade and other receivables, deposits and prepayments

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within 1 month	259,532	131,793
1 to 3 months	176,150	158,685
More than 3 months but less than 12 months	82,122	95,279
	517,804	385,757

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 2008 and 2007.

Trade and other receivables, deposits and prepayments include the following balances with related parties:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Amount due from associate	21,218	—
Amounts due from related company (note)	22,630	7,791

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

In respect of trade and bills receivables relating to the tinplating operation, 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, credit period usually ranges from 1 to 2 months. For distribution of live and fresh foodstuffs, credit period is usually less than 1 month. Payment in advance is usually required for tenants under the Group's property leasing operation. Debtors with balances that are more than one month overdue are requested to settle all outstanding balances before any further credit is granted. Normally the Group does not obtain collateral from customers.

11. Cash and cash equivalents

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Deposits with banks	210,346	63,394
Cash at bank and in hand	124,253	83,615
Cash and cash equivalents in the consolidated balance sheet	334,599	147,009
Pledged bank balances	(144,078)	(55,900)
Cash and cash equivalents in the condensed consolidated cash flow statement	190,521	91,109

12. Trade and other payables

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Due within 1 month or on demand	327,804	225,451

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Amount due to associate	21	19
Amounts due to holding companies and fellow subsidiaries	23,282	23,250
Amount due to related company (note)	287,454	130,352

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

13. Borrowings

	Note	At 30 June 2008 \$'000	At 31 December 2007 \$'000
(a) Bank loans			
— unsecured	(i)	166,294	281,720
— secured by bills receivable	(ii)	—	168,988
— secured by bank deposits	(iii)	123,749	52,720
— secured by investment properties	(iv)	480,000	—
		770,043	503,428

At 30 June 2008, the bank loans were repayable as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within 1 year or on demand	364,738	423,336
After 1 year but within 2 years	194,122	—
After 2 years but within 5 years	211,183	80,092
	405,305	80,092
	770,043	503,428

Notes:

- (i) Included in the unsecured bank loans are loans granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group with carrying amounts of \$80,989,000 (31 December 2007: \$80,043,000) and \$85,305,000 (31 December 2007: \$80,092,000) guaranteed by the minority shareholder and Zhongyue Tinplate, a subsidiary of the Group, respectively.
- (ii) As at 31 December 2007, the loans were secured by bills receivable with carrying amounts of \$168,988,000.
- (iii) The loans are secured by bank deposits of \$123,729,000 (31 December 2007: \$50,571,000).
- (iv) The loans are guaranteed by the Company which also provided the investment properties situated in Hong Kong as collateral.

In addition, it is provided in the loan agreement 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 the outstanding loans and all accrued interest.

13. Borrowings (continued)

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
(b) Loan from immediate holding company	21,216	21,216

The loan is unsecured, interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") + 0.35% per annum and repayable on 31 December 2008.

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
(c) Loans from minority shareholder	11,270	—

The loans were provided to a non-wholly owned subsidiary of the Group and are unsecured, interest free and repayable on 31 December 2008. The Group also provided loans of \$11,730,000 to this non-wholly owned subsidiary in proportion to the Group's shareholding.

14. Capital and reserves

	Attributable to equity shareholders of the Company											
	Note	Share capital \$'000	Share premium \$'000	Capital reserve - share options \$'000	Capital reserve - others \$'000	Exchange reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
At 1 January 2008		452,802	4,423	2,881	657	112,180	107,440	6,428	614,693	1,301,504	87,743	1,389,247
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		—	—	—	—	76,977	—	—	—	76,977	5,598	82,575
Share options lapsed during the period (note)		—	—	(437)	—	—	—	—	437	—	—	—
Dividends approved in respect of the previous year	6(b)	—	—	—	—	—	—	—	(18,112)	(18,112)	—	(18,112)
Profit for the period		—	—	—	—	—	—	—	112,207	112,207	14,027	126,234
At 30 June 2008		452,802	4,423	2,444	657	189,157	107,440	6,428	709,225	1,472,576	107,368	1,579,944

14. Capital and reserves (continued)

	Attributable to equity shareholders of the Company										Total equity \$'000	
	Note	Share capital \$'000	Share premium \$'000	Capital reserve - share options \$'000	Capital reserve - others \$'000	Exchange reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000		Minority interests \$'000
At 1 January 2007		450,792	—	3,376	657	37,949	107,440	3,523	469,532	1,073,269	37,642	1,110,911
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		—	—	—	—	29,771	—	—	—	29,771	637	30,408
Exercise of share options		1,160	2,510	—	—	—	—	—	—	3,670	—	3,670
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	(37,642)	(37,642)
Capital contributions by minority shareholders		—	—	—	—	—	—	—	—	—	79,962	79,962
Dividends approved in respect of the previous year	6(b)	—	—	—	—	—	—	—	(18,072)	(18,072)	—	(18,072)
Profit for the period		—	—	—	—	—	—	—	118,207	118,207	(323)	117,884
At 30 June 2007		451,952	2,510	3,376	657	67,720	107,440	3,523	569,667	1,206,845	80,276	1,287,121

Note: *Equity-settled share-based transactions*

During the six months ended 30 June 2008, no share options were exercised (30 June 2007: 2,320,000) and 1,500,000 share options (30 June 2007: 1,500,000) were lapsed.

Total options outstanding at 30 June 2008 are 12,950,000 (31 December 2007: 14,450,000) and the weighted average exercise price is \$1.633 (31 December 2007: \$1.636).

15. 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 contributions charged to the consolidated income statement for the six months ended 30 June 2008 was \$3,990,000 (30 June 2007: \$2,197,000). The forfeited contribution refunded for the period amounted to \$Nil (30 June 2007: \$23,000).

16. Commitments

- (a) Capital commitments outstanding at 30 June 2008 not provided for in the interim financial report were as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Contracted for	5,869	36,016
Authorised but not contracted for	3,651	11,827
	9,520	47,843

- (b) At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within 1 year	2,369	2,142
After 1 year but within 5 years	269	936
	2,638	3,078

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 2008, the Company is committed to provide finance of \$6,489,000 (31 December 2007: \$6,489,000) to an associate of the Group.

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

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Sales of goods to related companies (note)	140,222	—
Purchases of goods from:		
— associate	1,410	496
— related companies (note)	737,995	294,424
Purchases of fixed assets and related technical consultation services from related company (note)	—	139,617
Guarantee fee payable to related company (note)	414	—
Provision of electricity/water and leasing services to fellow subsidiary	—	815
Maintenance fee paid to the immediate holding company	115	115

Note: Related companies refer to the minority shareholder of a non-wholly owned subsidiary of the Group, Posco Co., Ltd. and its subsidiaries.

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 do not depend on whether the counterparties are state-controlled or not.

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 interim financial report, 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	
	2008	2007
	\$'000	\$'000
Short-term employee benefits	2,487	1,450
Post-employment benefits	209	263
	2,696	1,713

18. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in this interim financial report.

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

In addition, the following development may result in new or amended disclosure in the interim financial report:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009

Supplementary Information

Directors' Interests and Short Positions in Securities

As at 30 June 2008, 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 are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong 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 are 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities ("Listing Rules") on the Hong Kong Stock Exchange were as follows:

Interests and short positions in the Company

(i) Interests in ordinary shares

<u>Name of Director</u>	<u>Capacity/ nature of interests</u>	<u>Number of ordinary shares held</u>	<u>Long/short position</u>	<u>Approximate percentage of interests held</u>
				(Note)
Liang Jiang	Personal	380,000	Long position	0.042%
Li Li	Personal	1,577,000	Long Position	0.174%
Gerard Joseph McMahon	Personal	100,000	Long position	0.011%
Tam Wai Chu, Maria	Personal	200,000	Long Position	0.022%

Note: The approximate percentage of interests held was calculated on the basis of 905,603,285 ordinary shares of the Company in issue as at 30 June 2008.

(ii) Interests in options relating to ordinary shares

Name of Director	Share options grant date [#] (dd.mm.yy)	Number of share options held as at 1 January 2008 (‘000)	Period during which share options are exercisable* (dd.mm.yy)	Total consideration paid for share options granted (HK\$)	Price per ordinary share payable on exercise of share options (HK\$)	During the period number of share options			Number of share options held as at 30 June 2008 (‘000)	Share price	
						Exercised (‘000)	Lapsed (‘000)	Cancelled (‘000)		At share options grant date** (HK\$)	At share options exercise date** (HK\$)
Liang Jiang	09.03.06	2,000	09.06.06–08.03.16	1	1.660	—	—	—	2,000	1.610	—
Tan Yunbiao	06.02.04***	1,500	06.05.04–05.05.09	10	1.582	—	—	—	1,500	0.155	—
	09.03.06	2,000	09.06.06–08.03.16	1	1.660	—	—	—	2,000	1.610	—
Zhao Lelli (resigned on 12 September 2008)	09.03.06	200	09.06.06–08.03.16	1	1.660	—	—	—	200	1.610	—
Luo Fanyu	09.03.06	200	09.06.06–08.03.16	1	1.660	—	—	—	200	1.610	—
Gerard Joseph McMahon	09.03.06	200	09.06.06–08.03.16	1	1.660	—	—	—	200	1.610	—
Li Kar Keung, Caspar	09.03.06	200	09.06.06–08.03.16	1	1.660	—	—	—	200	1.610	—

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

** The share prices disclosed as "At share options grant date" and "At share options exercise date" are the closing prices of the ordinary shares of the Company quoted on the Hong Kong Stock Exchange on the trading day immediately prior to the date of grant of the share options and the date of exercise of the share options respectively.

*** For those options granted on 6 February 2004, the number of options outstanding and the exercise price were adjusted as a result of the consolidation of the ordinary shares of the Company that took effect on 19 December 2005.

Interests and short positions in Guangdong Investment 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
Hou Zhuobing	Personal	32,000	Long position	0.001%

Note: The approximate percentage of interests held was calculated on the basis of 6,152,388,071 ordinary shares of Guangdong Investment Limited in issue as at 30 June 2008.

Interests and short positions in Kingway Brewery Holdings Limited

Interests in ordinary shares

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

Note: The approximate percentage of interests held was calculated on the basis of 1,707,306,546 ordinary shares of Kingway Brewery Holdings Limited in issue as at 30 June 2008.

Interests and short positions in Guangdong Tannery Limited

Interests in ordinary shares

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

Note: The approximate percentage of interests held was calculated on the basis of 537,504,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2008.

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 2008, 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 are required to be: (i) notified to the Company and the Hong Kong 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 are 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 Hong Kong 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 2008, so far as is known to any directors and chief executives of the Company, the following persons (other than a director and chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which 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>	536,380,868	Long position	59.23%
GDH Limited ("GDH")	536,380,868	Long position	59.23%

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 905,603,285 ordinary shares of the Company in issue as at 30 June 2008.*
2. *The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.*

Save as disclosed above, no other person (other than a director and chief executive of the Company) known to any directors and chief executives of the Company as at 30 June 2008 had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register kept by the Company under Section 336 of the SFO.

Share Option Schemes

On 11 June 2004, the Company adopted a new share option scheme ("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 its share option scheme that was adopted on 24 August 2001 ("2001 Share Option Scheme"). Options granted under the 2001 Share Option Scheme prior to 11 June 2004 remain valid until lapsed.

During the period, 1,500,000 share options were lapsed and no share options were granted under the 2004 Share Option Scheme by the Company.

During the period, no share options were exercised under the 2001 Share Option Scheme. As at 30 June 2008, options were outstanding under the 2001 and 2004 Share Option Schemes entitling the holders to subscribe for 4,500,000 shares and 8,450,000 shares of the Company respectively.

As at 30 June 2008, save as disclosed in the section of "Directors' Interests and Short Positions in Securities", the following share options were outstanding under the 2001 and 2004 Share Option Schemes. Each option gives the holder the right to subscribe for one share of HK\$0.5 par value of the Company.

Category	Share options grant date [#] (dd.mm.yy)	Number of share options held as at 1 January 2008 (‘000)	Period during which share options are exercisable* (dd.mm.yy)	Total consideration paid for share options granted (HK\$)	Price per ordinary share payable on exercise of share options (HK\$)	During the period number of share options			Number of share options held as at 30 June 2008 (‘000)	Share price	
						Exercised (‘000)	Lapsed (‘000)	Cancelled (‘000)		At share options grant date** (HK\$)	At share options exercise date** (HK\$)
Former Director	09.03.06	300	09.06.06–08.03.16	1	1.660	—	—	—	300	1.610	—
Employees and other participants	06.02.04***	3,000	06.05.04–05.05.09	10	1.582	—	—	—	3,000	0.155	—
	09.03.06	4,850	09.06.06–08.03.16	1	1.660	—	1,500	—	3,350	1.610	—

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

** The share prices disclosed as "At share options grant date" and "At share options exercise date" are the closing prices of the ordinary shares of the Company quoted on the Hong Kong Stock Exchange on the trading day immediately prior to the date of grant of the share options and the date of exercise of the share options respectively.

*** For those options granted on 6 February 2004, the number of options outstanding and the exercise price were adjusted as a result of the consolidation of the ordinary shares of the Company that took effect on 19 December 2005.

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 ("CG Code") as set out in Appendix 14 of the Listing Rules on the Hong Kong Stock Exchange throughout the six months ended 30 June 2008.

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 2008.

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), Miss 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 2008.

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 chairman of the Board, Mr. Liang Jiang, executive director and general manager, Mr. Tan Yunbiao, and the three independent non-executive directors, Mr. Gerard Joseph McMahon, Miss 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 2008, two meetings were held by the Compensation Committee to explore into 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 who is also chairman of the Nomination Committee, and the three independent non-executive directors, Mr. Gerard Joseph McMahon, Miss 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 recommendation on appointment and reappointment of directors.

During the six months ended 30 June 2008, a meeting was held by the Nomination Committee to explore into 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 2008. 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 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Hong Kong Stock Exchange.

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 (“Loan Agreement”) for a term loan facility in the principal amount of up to HK\$480,000,000 with two banks (the “Lenders”). It is provided in the Loan 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.

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 HK2.0 cents per share (six months ended 30 June 2007: HK2.0 cents per share) for the six months ended 30 June 2008. The interim dividend will be paid on 20 October 2008 to the shareholders whose names appear on the Register of Members on 3 October 2008.

Closure of Register of Members

The Register of Members of the Company will be closed on 2 October 2008 and 3 October 2008. 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 30 September 2008.

By order of the Board
Liang Jiang
Chairman

Hong Kong, 12 September 2008