GUANGNAN (HOLDINGS) LIMITED
廣南(集團)有限公司

Stock Code 股份代號: 1203

2009

中期報告 | Interim Report

GUANGNAN (HOLDINGS) LIMITED

Interim Report 2009

Contents

Corporate Information

(As at 11 September 2009)

Board of Directors

Executive Directors

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

Non-Executive Directors

HUANG Xiaofeng
LUO Fanyu
HOU Zhuobing

Independent Non-Executive Directors

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

Audit Committee

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

Compensation Committee

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

Nomination Committee

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

Company Secretary

LO Wing Suet

Auditors

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

Principal Bankers

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

Registered Office

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

Share Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Information

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

Shareholders' Calendar

Closure of Register of Members	8 October 2009 and 9 October 2009
Interim Dividend	HK1.5 cents per share
Payment Date	28 October 2009

Financial Highlights

(Expressed in Hong Kong dollars)

Unaudited Financial Highlights

	Six months ended 30 June 2009 $'000	2008 $'000	Change
Turnover	**1,122,679**	1,374,163	–18.3%
Profit from operations	**110,734**	140,092	–21.0%
Profit attributable to shareholders	**83,121**	112,207	–25.9%
Basic earnings per share	**9.18 cents**	12.39 cents	–25.9%
Interim dividend per share	**1.5 cents**	2.0 cents	–25.0%

	At 30 June 2009 $'000	At 31 December 2008 $'000	Change
Total assets	**2,650,465**	2,682,846	–1.2%
Shareholders' equity	**1,506,870**	1,437,413	+4.8%
Net asset value per share[1]	**$1.66**	$1.59	+4.4%
Gearing ratio[2]	**5.6%**	12.1%	

Notes:

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

2. $\dfrac{\text{Borrowings} - \text{cash and cash equivalents}}{\text{Shareholders' equity}}$

RESULTS

For the first half of 2009, the unaudited consolidated profit attributable to shareholders was HK$83,121,000, representing a decrease of 25.9% from HK$112,207,000 of the corresponding period last year. Basic earnings per share was HK9.18 cents, a decrease of 25.9% from HK12.39 cents of the corresponding period last year.

INTERIM DIVIDEND

The Board of Directors (the "Board") declares the payment of an interim dividend for the six months ended 30 June 2009 of HK1.5 cents per share (six months ended 30 June 2008: HK2.0 cents per share).

BUSINESS REVIEW

During the period under review, all business segments of the Group were consolidating their development. The Group's consolidated turnover was HK$1,122,679,000, representing a decrease of HK$251,484,000, or 18.3%, from HK$1,374,163,000 of the corresponding period last year. Profit from operations was HK$110,734,000, representing a decrease of HK$29,358,000, or 21.0%, from HK$140,092,000 of the corresponding period last year. For the tinplating business, with the slump in prices of iron and steel during the fourth quarter of 2008 after the occurrence of global financial tsunami, the sales volume and prices of the Group's tinplate products fell substantially following the decrease in market demand as a whole. It was only until the second quarter of 2009 when the prices of iron and steel resumed to a stable level and there were preliminary signs showing recovery in the global economy that the sales volume of the Group's tinplate products resumed its normal level. For the fresh and live foodstuffs business, there was a substantial fall in the price of live pigs as compared with last year. However, with the devoted endeavours of the operations team and the premium goods sourced from major suppliers, the overall market share in live pigs import market was maintained at above 40% during the period under review. This contributed to relatively steady earnings of the Group.

Tinplating

Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") while the remaining 34% is held by POSCO Co., Ltd. ("POSCO"), an internationally renowned steel enterprise.

In the first half of 2009, the Group's production volume of tinplate products amounted to 124,467 tonnes, a decrease of 22.7% compared with the corresponding period in 2008. Of which, 84,093 tonnes and 40,374 tonnes were produced by Zhongyue Tinplate and Zhongyue Posco respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 48,334 tonnes of blackplates, which provided a stable supply of raw materials (blackplates) to its tinplating factory. 134,801 tonnes of tinplate products were sold by these two production bases in the northern and southern regions, representing a decrease of 6.3% from the corresponding period in 2008. Turnover was HK$1,021,517,000, representing a decrease of 18.7% from the corresponding period last year. Profit from operations was HK$76,573,000, representing an increase of HK$1,914,000 or 2.6% from the corresponding period last year. The tinplating business contributed the largest share to the earnings of the Group, with its turnover representing 91.0% of the Group's turnover, and its profit from operations accounted for 69.2% of the Group's profit from operations.

During the fourth quarter of 2008, the prices of various raw materials fell substantially around the world. Demand for steel in the international market shrank. The purchase price of the Group's raw materials and the sales volume and selling price of the Group's tinplate products dropped substantially following the overall decrease in the market demand. It was only until the second quarter of 2009 that the prices of iron and steel resumed a stable level and iron and steel manufacturers began to increase their selling prices. It is expected that the prices of iron and steel will still remain volatile for a certain period in future. With the preliminary completion of de-stocking in the market at the end of last year, downstream customers successively replenished their stocks in the first half of 2009. The sales volume of the Group's tinplating products also resumed to a normal level. In 2009, the tinplating business entered into a phase of consolidation. In order to respond to the crisis, the Group implemented principal strategies of "cost reduction", "quality enhancement", "market price alignment", "aggressively getting sales orders" and "assuring collection of trade debts". In respect of the sales and marketing development, the Group adopted a price setting mechanism that aligned more closely to the market price. Product quality was enhanced with an expansion of product categories. These facilitated in maintaining our sales volume. In addition, the Group insisted on executing the policy of obtaining deposits from customers, so as to assure the collection of trade debts. In terms of cost savings, the Group continued to improve its tendering system and widen its purchasing channels, which proactively reduced purchase costs. Through the comprehensive introduction of Six Sigma methodology in its management, the workflow was optimised. This resulted in minimising unnecessary production costs to the maximum extent and achieving higher efficiency.

Fresh and Live Foodstuffs

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

In the first half of 2009, turnover of the fresh and live foodstuffs business amounted to HK$88,049,000, representing a decrease of 16.5% as compared with the corresponding period last year. Profit from operations was HK$32,757,000, representing a decrease of HK$10,094,000 or 23.6% as compared with the corresponding period last year. With the substantial fall in the price of live pigs as compared with last year, and the impact on the live poultry agency business resulting from the announcement by the Hong Kong government of the arrangements to accept for the return of licences by live poultry retailers in July 2008, both turnover and profit from operations of fresh and live foodstuffs business fell as compared with the corresponding period last year. Through continuous improvement in the equipment of infrastructure, optimisation of business workflow, the Group proactively strengthened its communication with the suppliers, industry participants and customers and enhanced its service standard. The overall market share in live pigs import market remained at above 40%. This contributed to relatively steady earnings of the Group.

Property Leasing

The Group's leasing properties mainly included the plant and staff dormitory of Zhongyue Shan Hai Industrial Co., Ltd. ("Shanhai"), and the office units in Hong Kong.

In the first half of 2009, turnover from the property leasing business of the Group was HK$13,113,000, an increase of 3.0% as compared with the corresponding period last year. Profit from operations of leasing properties amounted to HK$7,928,000, a decrease of 14.0% as compared with the corresponding period last year. In addition, after the general fall in the price of office units in Hong Kong during the fourth quarter of 2008, the price increased with the rebound of asset prices around the world in the first half of 2009. Valuation gains on investment properties of HK$12,267,000 (first half of 2008: HK$2,049,000) were included in the consolidated income statement of the Group.

Associate

In the first half of 2009, Yellow Dragon Food Industry Co., Limited ("Yellow Dragon"), an associate of the Group, recorded a sales volume of 217,944 tonnes in its major product, corn starch, representing an increase of 9.7% as compared with the corresponding period last year. With the substantial fall in the price of the products last year, turnover amounted to HK$710,403,000, representing a decrease of 7.5% and its loss attributable to shareholders amounted to HK$3,155,000 as compared with a profit attributable to shareholders of HK$48,273,000 in the corresponding period last year.

FINANCIAL POSITION

As at 30 June 2009, the Group's total assets and total liabilities amounted to HK$2,650,465,000 and HK$1,017,811,000, representing a decrease of HK$32,381,000 and HK$114,841,000 respectively when compared with the positions at the end of last year. The net current assets decreased from HK$479,403,000 at the end of 2008 to HK$357,563,000, which was mainly attributable to the repayment of bank borrowings amounting to HK$160,000,000 at the beginning of 2009. The current ratio (current assets divided by current liabilities) decreased from 1.68 as at the end of 2008 to 1.43.

Liquidity and Financial Resources

As at 30 June 2009, the Group maintained cash and cash equivalent balances of HK$447,111,000, including pledged bank balances of HK$121,821,000. An amount of HK$365,311,000 was denominated in Renminbi and HK$31,090,000 was denominated in United States ("US") Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalent balances increased by 4.5% from the end of 2008, which was mainly attributable to the net cash inflow from operations during the period.

As at 30 June 2009, the Group's borrowings comprised 1) bank borrowings of HK$531,758,000 (31 December 2008: HK$589,564,000), of which HK$Nil (31 December 2008: HK$85,043,000) was unsecured, HK$106,498,000 (31 December 2008: HK$Nil) was secured by bills receivable, HK$320,000,000 (31 December 2008: HK$480,000,000) was pledged by investment properties in Hong Kong and HK$105,260,000 (31 December 2008: HK$24,521,000) was secured by bank deposits of HK$105,627,000 (31 December 2008: HK$24,515,000); 2) a loan from immediate holding company of HK$Nil (31 December 2008: HK$10,000,000); and 3) a loan from a minority shareholder of HK$Nil (31 December 2008: HK$2,940,000). 69.9% (31 December 2008: 32.8%) of the Group's borrowings were repayable within one year, and the remaining balance was repayable within two years (31 December 2008: three years). The borrowings were subject to annual interest rates ranging from 0.28% to 1.78% (31 December 2008: 0.90% to 11.94%). 60.2% (31 December 2008: 93.8%) of the Group's borrowings were guaranteed by the Company.

As at 30 June 2009, 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 5.6% (31 December 2008: 12.1%). The decrease was primarily due to the significant net cash inflow from operations during the period.

As at 30 June 2009, the Group's available banking facilities amounted to HK$636,960,000, of which HK$386,862,000 was utilised and HK$250,098,000 was unutilised. 50.2% 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 reserves and available banking facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

Capital Expenditure

The Group's capital expenditure in the first half of 2009 amounted to HK$18,484,000 (first half of 2008: HK$70,236,000). After the tinplating plant of Zhongyue Posco commenced production in February 2008, the capital expenditure in 2009 was significantly less than that in 2008. It is expected that the capital expenditure for the year 2009 will be approximately HK$42,000,000, which mainly relates to technology upgrade projects.

Charge on Assets

As at 30 June 2009, certain assets of the Group with an aggregate carrying value of HK$321,392,000 (31 December 2008: HK$123,477,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate and Interest Rate Exposures

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

The majority of the Group's borrowings bear interest at floating rates. 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 2009, there were forward foreign exchange contracts entered into by the Group to hedge certain foreign currency loans which amounted to US$15,360,000 (equivalent to HK$119,808,000) (31 December 2008: US$3,144,000 (equivalent to HK$24,521,000)). In addition, as at 30 June 2009, there were forward foreign exchange contracts of US$37,000,000 (equivalent to HK$288,600,000) (31 December 2008: HK$114,240,000 and US$33,500,000 (equivalent to HK$375,540,000 in aggregate)) entered into by the Group to hedge the foreign currency exposure in respect of financing the working capital of certain subsidiaries of the Group in the PRC. Except for the above-mentioned, other borrowings are denominated in the functional currency of the corresponding entities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Group had a total of 1,105 full-time employees, a decrease of 67 from the end of 2008. 82 of the employees were based in Hong Kong and 1,023 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 2009, the Group continued to implement control on the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonuses for various profit rankings were paid on the basis of net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Group has also adopted a share option scheme to encourage excellent participants to continue their contribution to the Group.

PROSPECTS

Notwithstanding that the global economy is gradually resuming a level stability, the Group remains cautious in respect of difficulties and challenges possibly subsisting in the business environment. Although the sales price and sales volume of iron and steel products began to rebound, external demands have still not yet fully recovered. In the meantime, the production capacity of iron and steel in mainland China is not yet fully utilised in the short run. It is anticipated that the increase in price of iron and steel will be subject to certain limitations and market competition will remain keen. The Group will continue to persist in operating steadily, conclude seriously from the experiences and lessons from mitigating the global financial tsunami this time, and enhance our management skills through tribulations and trials to lay a solid foundation for future development. In the course of proactively responding to changes in the market, the Group will seek new developments for the tinplating business. Together with the healthy development of fresh and live foodstuffs business, the operating result for the full year is expected to improve from last year. By leveraging on our sound financial position and sufficient capital, as well as proactively capturing opportunities arising, the Group will endeavour to deliver better value to its shareholders.

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 10 to 36 which comprises the consolidated balance sheet of Guangnan (Holdings) Limited as of 30 June 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 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

11 September 2009

Consolidated Income Statement

for the six months ended 30 June 2009 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2009 $'000	2008 $'000
Turnover	3	**1,122,679**	1,374,163
Cost of sales		**(1,000,277)**	(1,217,900)
Gross profit		**122,402**	156,263
Other revenue	4	**43,166**	8,387
Other net income	4	**2,733**	40,408
Distribution costs		**(23,325)**	(23,333)
Administrative expenses		**(33,928)**	(37,580)
Other operating expenses		**(314)**	(4,053)
Profit from operations		**110,734**	140,092
Valuation gains on investment properties	8(b)	**12,267**	2,049
Finance costs	5(a)	**(4,153)**	(15,071)
Share of profits less losses of associates		**(1,262)**	19,106
Profit before taxation	5	**117,586**	146,176
Income tax	6	**(17,586)**	(19,942)
Profit for the period		**100,000**	126,234
Attributable to:			
Equity shareholders of the Company		**83,121**	112,207
Minority interests		**16,879**	14,027
Profit for the period		**100,000**	126,234
Earnings per share			
Basic	7(a)	**9.18 cents**	12.39 cents
Diluted	7(b)	**9.18 cents**	12.39 cents

The notes on pages 16 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009	2008
	$'000	$'000
Profit for the period	**100,000**	126,234
Other comprehensive income for the period (after taxation):		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	**606**	82,575
Reclassification adjustments for amounts transferred to profit or loss:		
— realisation of exchange reserve upon disposal of associate outside Hong Kong	**(1,061)**	—
— realisation of exchange reserve upon deregistration of subsidiary outside Hong Kong	**71**	—
	(384)	82,575
Total comprehensive income for the period	**99,616**	208,809
Attributable to:		
Equity shareholders of the Company	**82,693**	189,184
Minority interests	**16,923**	19,625
Total comprehensive income for the period	**99,616**	208,809

The notes on pages 16 to 36 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2009 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Non-current assets			
Fixed assets			
— Investment properties		**273,780**	262,388
— Other property, plant and equipment		**897,584**	919,846
— Interest in leasehold land held for own use under operating leases		**106,713**	107,380
	8	**1,278,077**	1,289,614
Interest in associate		**182,389**	201,973
Deferred tax assets		**2,207**	9,426
		1,462,673	1,501,013
Current assets			
Trading securities		**3,111**	2,259
Inventories	9	**221,435**	401,092
Trade and other receivables, deposits and prepayments	10	**516,055**	346,489
Current taxation recoverable		**80**	151
Cash and cash equivalents	11	**447,111**	428,009
		1,187,792	1,178,000
Non-current asset classified as held for sale		**—**	3,833
		1,187,792	1,181,833
Current liabilities			
Trade and other payables	12	**427,704**	481,036
Bank loans	13(a)	**371,758**	184,521
Loan from immediate holding company	13(b)	**—**	10,000
Loan from minority shareholder	13(c)	**—**	2,940
Current taxation payable		**30,767**	23,933
		830,229	702,430
Net current assets		**357,563**	479,403
Total assets less current liabilities		**1,820,236**	1,980,416

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Non-current liabilities			
Bank loans	*13(a)*	**160,000**	405,043
Deferred tax liabilities		**27,582**	25,179
		187,582	430,222
NET ASSETS		**1,632,654**	1,550,194
Capital and reserves			
Share capital		**452,802**	452,802
Reserves		**1,054,068**	982,135
Amounts recognised directly in equity relating to non-current asset held for sale		**—**	2,476
Total equity attributable to equity shareholders of the Company		**1,506,870**	1,437,413
Minority interests		**125,784**	112,781
TOTAL EQUITY		**1,632,654**	1,550,194

The notes on pages 16 to 36 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009 — unaudited
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Capital reserve — share options $'000	Exchange reserve $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000	Reserves relating to non-current asset held for sale $'000	Total $'000	Minority interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company										
Balance at 1 January 2009		452,802	4,423	1,459	182,602	107,440	5,670	680,541	2,476	1,437,413	112,781	1,550,194
Changes in equity for the six months ended 30 June 2009:												
Transfer of reserves upon disposal of associate		—	—	—	—	—	—	1,415	(1,415)	—	—	—
Transfer of reserves upon deregistration of subsidiary		—	—	—	—	—	(233)	233	—	—	—	—
Transfer to statutory reserves		—	—	—	—	—	4,830	(4,830)	—	—	—	—
Share-based payment expenses for the period		—	—	348	—	—	—	—	—	348	—	348
Dividends declared to minority shareholders		—	—	—	—	—	—	—	—	—	(3,920)	(3,920)
Dividends approved in respect of previous year	*14(a)*	—	—	—	—	—	—	(13,584)	—	(13,584)	—	(13,584)
Total comprehensive income for the period		—	—	—	633	—	—	83,121	(1,061)	82,693	16,923	99,616
Balance at 30 June 2009		452,802	4,423	1,807	183,235	107,440	10,267	746,896	—	1,506,870	125,784	1,632,654

	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	Reserves relating to non-current asset held for sale $'000	Total $'000	Minority interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company											
Balance 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
Changes in equity for the six months ended 30 June 2008:													
Share options lapsed during the period		—	—	(437)	—	—	—	—	437	—	—	—	—
Dividends approved in respect of previous year	*14(a)*	—	—	—	—	—	—	—	(18,112)	—	(18,112)	—	(18,112)
Total comprehensive income for the period		—	—	—	—	76,977	—	—	112,207	—	189,184	19,625	208,809
Balance at 30 June 2008 and 1 July 2008		452,802	4,423	2,444	657	189,157	107,440	6,428	709,225	—	1,472,576	107,368	1,579,944
Changes in equity for the six months ended 31 December 2008:													
Grant of share options		—	—	4	—	—	—	—	—	—	4	—	4
Share options lapsed and cancelled during the period		—	—	(989)	—	—	—	—	989	—	—	—	—
Transfer of reserves relating to non-current asset held for sale		—	—	—	(657)	(1,061)	—	(758)	—	2,476	—	—	—
Dividends declared in respect of current year	*14(a)*	—	—	—	—	—	—	—	(18,112)	—	(18,112)	—	(18,112)
Total comprehensive income for the period		—	—	—	—	(5,494)	—	—	(11,561)	—	(17,055)	5,413	(11,642)
Balance at 31 December 2008		452,802	4,423	1,459	—	182,602	107,440	5,670	680,541	2,476	1,437,413	112,781	1,550,194

The notes on pages 16 to 36 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2009 $'000	2008 $'000
Cash generated from operations		**113,625**	10,016
Income tax paid		**(180)**	(15,773)
Net cash generated from/(used in) operating activities		**113,445**	(5,757)
Net cash used in investing activities		**(6,152)**	(64,858)
Net cash (used in)/generated from financing activities		**(172,543)**	163,981
(Decrease)/increase in cash and cash equivalents		**(65,250)**	93,366
Cash and cash equivalents at 1 January	*11*	**390,443**	91,109
Effect of foreign exchange rates changes		**97**	6,046
Cash and cash equivalents at 30 June	*11*	**325,290**	190,521

The notes on pages 16 to 36 form part of this interim financial report.

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 11 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 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 review report to the Board of Directors is included on page 9.

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 April 2009.

2. Changes in accounting policies

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

— HKFRS 8, Operating segments

— HKAS 1 (revised 2007), Presentation of financial statements

— Improvements to HKFRSs (2008)

— Amendments to HKAS 27, Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate

— Amendments to HKFRS 7, Financial instruments: Disclosures — improving disclosures about financial instruments

— HKAS 23 (revised 2007), Borrowing costs

— Amendments to HKFRS 2, Share-based payment — vesting conditions and cancellations

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments are consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have been presented on a basis consistent with the revised segment information.

2. Changes in accounting policies (Continued)

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  — As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions for the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Turnover and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. On first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for the food processing manufacturers.

— Fresh and live foodstuffs : this segment distributes, purchases and sells fresh and live foodstuffs.

— Property leasing : this segment leases office and industrial premises to generate rental income.

(a) Segment results, assets and liabilities

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

— Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

— Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, trading securities and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and bank borrowings managed directly by the segments.

3. Turnover and segment reporting (Continued)

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

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

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

For the six months ended 30 June	Tinplating 2009 $'000	Tinplating 2008 $'000	Fresh and live foodstuffs 2009 $'000	Fresh and live foodstuffs 2008 $'000	Property leasing 2009 $'000	Property leasing 2008 $'000	Total 2009 $'000	Total 2008 $'000
Reportable segment revenue	**1,021,517**	1,255,926	**88,049**	105,506	**13,113**	12,731	**1,122,679**	1,374,163
Reportable segment profit	**76,573**	74,659	**32,757**	42,851	**7,928**	9,214	**117,258**	126,724
Reportable segment assets	**2,039,271**	2,061,970	**80,916**	103,217	**299,737**	285,182	**2,419,924**	2,450,369
Reportable segment liabilities	**914,394**	1,014,383	**28,070**	31,158	**33,970**	32,158	**976,434**	1,077,699

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

	Six months ended 30 June 2009 $'000	Six months ended 30 June 2008 $'000
Profit		
Reportable segment profit derived from the Group's external customers	**117,258**	126,724
Unallocated head office and corporate income and expenses	**(6,524)**	13,368
Valuation gains on investment properties	**12,267**	2,049
Finance costs	**(4,153)**	(15,071)
Share of profits less losses of associates	**(1,262)**	19,106
Consolidated profit before taxation	**117,586**	146,176

3. Turnover and segment reporting (Continued)

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

	At 30 June 2009 $'000	At 31 December 2008 $'000
Assets		
Reportable segment assets	**2,419,924**	2,450,369
Interest in associate	**182,389**	201,973
Trading securities	**3,111**	2,259
Non-current asset classified as held for sale	**—**	3,833
Unallocated head office and corporate assets	**45,041**	24,412
Consolidated total assets	**2,650,465**	2,682,846

	At 30 June 2009 $'000	At 31 December 2008 $'000
Liabilities		
Reportable segment liabilities	**976,434**	1,077,699
Loan from immediate holding company	**—**	10,000
Unallocated head office and corporate liabilities	**41,377**	44,953
Consolidated total liabilities	**1,017,811**	1,132,652

4. Other revenue and net income

Other revenue

	Six months ended 30 June	
	2009	2008
	$'000	$'000
Sales of scrap materials	**1,630**	6,161
Interest income	**1,643**	1,344
Dividends from listed securities	**—**	118
Subsidies received (note)	**37,101**	—
Others	**2,792**	764
	43,166	8,387

Other net income

	Six months ended 30 June	
	2009	2008
	$'000	$'000
Net realised and unrealised gain/(loss) on trading securities	**1,552**	(1,505)
Gain on disposal of associate	**1,061**	—
Gain on deregistration of subsidiary	**829**	—
Net (loss)/gain on forward foreign exchange contracts	**(693)**	605
Net exchange (loss)/gain	**(16)**	41,308
	2,733	40,408

Note: The amounts mainly represent subsidies granted to a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") by the local government authority in the PRC for its continuous contribution to the development of the metal-plating industry.

5. Profit before taxation

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

	Note	Six months ended 30 June **2009** **$'000**	 2008 $'000
(a) Finance costs:			
Interest on bank advances and other borrowings wholly repayable within 5 years		**4,072**	15,711
Interest on loan from immediate holding company		**81**	327
		4,153	16,038
Less: Interest expenses capitalised into construction in progress	*(i)*	**—**	(967)
		4,153	15,071
(b) Staff costs:			
Net contributions paid to defined contribution retirement plans		**4,202**	3,990
Equity-settled share-based payment expenses		**348**	—
Salaries, wages and other benefits		**38,087**	39,159
		42,637	43,149
(c) Other items:			
Amortisation of land lease premium		**1,527**	1,414
Depreciation		**41,023**	35,085
Operating lease charges in respect of properties		**1,712**	1,432
Share of associates' taxation	*(ii)*	**(449)**	6,433
Rentals receivable from investment properties less direct outgoings of $1,069,000 (30 June 2008: $1,251,000)		**(12,044)**	(11,480)

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) 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.

6. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	Six months ended 30 June **2009** **$'000**	 2008 $'000
Current tax — Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2008: 16.5%) on the estimated assessable profits for the period		**5,530**	2,038
Under-provision in respect of prior years		**2,023**	—
		7,553	2,038
Current tax — the PRC			
Tax for the period		**417**	15,964
Deferred tax			
Origination and reversal of temporary differences		**9,616**	1,940
	(i)	**17,586**	19,942

Notes:

(i) *The provision for Hong Kong Profits Tax for 2009 is calculated by applying the estimated annual effective tax rate of 16.5% (2008: 16.5%) to the six months ended 30 June 2009. Income tax for subsidiaries established and operating in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant provinces or economic zones in the PRC.*

(ii) *In accordance with the Corporate Income Tax Law of the PRC ("New Tax Law"), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the income tax rate applicable for certain PRC subsidiaries of the Group is to be changed gradually to the standard rate of 25% over a five-year transition period beginning from 2008. The details of the tax relief are disclosed in the following notes.*

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

Taxation in the consolidated income statement represents: (Continued)

Notes: (Continued)

(iii) In 2006, a subsidiary, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("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 arrangements 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 period ended 30 June 2009 (2008: 25%). When the final arrangement is known, any over-provision for income tax will be accounted for in future periods.

(iv) Zhongyue Posco, being a foreign investment enterprise established in the PRC before the New Tax Law passed on 16 March 2007, has applied for a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. Zhongyue Posco has been informed of the approval verbally by the tax authorities but no formal approval document has been received up to the date of issue of this interim financial report. The directors believe that Zhongyue Posco may enjoy such tax benefits and, therefore, no tax provision has been made for the current and prior periods.

(v) According to the New Tax Law, dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax of 5%.

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

In addition, as the Company controls the dividend policy of the PRC subsidiaries and it has determined that the profits of the PRC subsidiaries for the current and prior periods will not be distributed in the foreseeable future, no provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries is made for the six months ended 30 June 2009 and 30 June 2008.

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 $83,121,000 (30 June 2008: $112,207,000) and the number of 905,603,285 (30 June 2008: 905,603,285) ordinary shares in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2009 and 30 June 2008 is the same as the basic earnings per share as the potential ordinary shares are anti-dilutive.

8. Fixed assets

(a) Acquisitions

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment with a cost of $18,484,000 (30 June 2008: $70,236,000).

(b) Investment properties

Investment properties situated in Hong Kong carried at fair value were revalued on an open market value basis at 30 June 2009 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 independent firms of valuers in the PRC, 廣東財興資產評估土地房地產估價有限公司 and 秦皇島正揚資產評估事務所, on an open market value basis. Based on the valuations, a gain of $12,267,000 (30 June 2008: $2,049,000), and deferred tax thereon of $2,668,000 (30 June 2008: $463,000), have been included in the consolidated income statement.

Investment properties in Hong Kong are pledged to secure the bank loans of $320,000,000 (note 13(a)(iv)).

(c) Leases

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

The gross carrying amounts of investment properties of the Group held for use in operating leases was $273,780,000 (31 December 2008: $262,388,000).

9. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2009 $'000	At 31 December 2008 $'000
Raw materials, spare parts and consumables	**105,817**	167,867
Work in progress	**7,948**	21,615
Finished goods	**107,670**	211,610
	221,435	401,092

Based on management's assessment of the net realisable value of inventories, there was a write-down of inventories to estimated net realisable value by approximately $5,500,000 during the period (30 June 2008: $Nil).

10. Trade and other receivables, deposits and prepayments

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Trade debtors		**81,256**	76,670
Bills receivable	*(i)*	**305,269**	196,386
Other receivables, deposits and prepayments		**62,026**	50,421
Amount due from an associate		**31,823**	21,152
Amounts due from a related company	*(ii)*	**35,681**	1,860
		516,055	346,489

Notes:

(i) At 30 June 2009, bills receivable with carrying amount of $106,498,000 (31 December 2008: $Nil) and $Nil (31 December 2008: $66,176,000) were pledged to banks in the PRC to secure loans granted to the Group (note 13(a)(ii)) and to obtain banking facilities respectively.

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

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

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

	At 30 June 2009 $'000	At 31 December 2008 $'000
Current	**419,817**	272,297
Less than 1 month past due	**1,833**	277
1 to 3 months past due	**556**	261
4 to 6 months past due	**—**	2,081
Amounts past due	**2,389**	2,619
	422,206	274,916

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 2009 and 2008.

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

11. Cash and cash equivalents

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

	At 30 June 2009 $'000	At 31 December 2008 $'000
Deposits with banks	308,014	149,273
Cash at bank and in hand	139,097	278,736
Cash and cash equivalents in the consolidated balance sheet	447,111	428,009
Pledged bank balances	(121,821)	(37,566)
Cash and cash equivalents in the condensed consolidated cash flow statement	325,290	390,443

12. Trade and other payables

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

	At 30 June 2009 $'000	At 31 December 2008 $'000
Due within 1 month or on demand	125,292	263,303
Due after 1 month but within 3 months	111,578	58,525
Due after 3 months but within 1 year	25	—
	236,895	321,828

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

	At 30 June 2009 $'000	At 31 December 2008 $'000
Amount due to an associate	—	21
Amounts due to immediate holding company and a fellow subsidiary	23,283	23,270
Amounts due to a related company (note)	197,333	274,350

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 2009 $'000	At 31 December 2008 $'000
(a)	Bank loans			
	— unsecured	*(i)*	—	85,043
	— secured by bills receivable	*(ii)*	106,498	—
	— secured by bank deposits	*(iii)*	105,260	24,521
	— secured by investment properties	*(iv)*	320,000	480,000
			531,758	589,564

At 30 June 2009, the bank loans were repayable as follows:

	At 30 June 2009 $'000	At 31 December 2008 $'000
Within 1 year or on demand	371,758	184,521
After 1 year but with 2 years	160,000	245,043
After 2 years but within 5 years	—	160,000
	160,000	405,043
	531,758	589,564

Notes:

(i) *The unsecured bank loans as at 31 December 2008 were granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group and guaranteed by Zhongyue Tinplate, a subsidiary of the Group. As at 31 December 2008, the minority shareholder provided a counter-guarantee to Zhongyue Tinplate of $28,915,000 in relation to these unsecured bank loans.*

(ii) *The loans are secured by bills receivable with carrying amounts of $106,498,000 (31 December 2008: $Nil).*

13. Borrowings (Continued)

(a) Bank loans (Continued)

Notes: (Continued)

(iii) The loans are secured by bank deposits of $105,627,000 (31 December 2008: $24,515,000).

(iv) The loans are guaranteed by the Company which also provided the investment properties situated in Hong Kong with carrying value of $93,073,000 (31 December 2008: $85,911,000) 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.

Further, the loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2009, none of the covenants relating to the bank loans had been breached.

	At 30 June 2009 $'000	At 31 December 2008 $'000
(b) Loan from immediate holding company	**—**	10,000

At 31 December 2008, the loan was unsecured, interest-bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") + 0.35% per annum and repayable on 30 June 2009.

	At 30 June 2009 $'000	At 31 December 2008 $'000
(c) Loan from minority shareholder	**—**	2,940

At 31 December 2008, the loan was provided to a non-wholly owned subsidiary of the Group and was unsecured, interest-free and repayable on or before 31 December 2009. At 31 December 2008, the Group also provided a loan of $3,060,000 to this non-wholly owned subsidiary in proportion to the Group's shareholding. The loan has been fully repaid during the current period.

14. Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2009	2008
	$'000	$'000
Interim dividend declared after the interim period of 1.5 cents per ordinary share (30 June 2008: 2.0 cents per ordinary share)	**13,584**	18,112

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

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

	Six months ended 30 June	
	2009	2008
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 1.5 cents per ordinary share (30 June 2008: 2.0 cents per ordinary share)	**13,584**	18,112

(b) Equity-settled share-based transactions

During the six months ended 30 June 2009, no share options were exercised (30 June 2008: Nil) and 1,500,000 and 1,080,000 share options (30 June 2008: 1,500,000 and Nil) were expired and forfeited respectively.

13,020,000 options were outstanding at 30 June 2009 (31 December 2008: 15,600,000) and the weighted average exercise price is $1.103 (31 December 2008: $1.125).

15. Retirement benefit 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 consolidated income statement for the six months ended 30 June 2009 was $4,592,000 (30 June 2008: $3,990,000). Forfeited contributions refunded for the period amounted to $390,000 (30 June 2008: $Nil).

16. Commitments

(a) Capital commitments outstanding at 30 June 2009 not provided for in the interim financial report were as follows:

	At 30 June 2009 $'000	At 31 December 2008 $'000
Contracted for	**5,630**	8,418
Authorised but not contracted for	**3,217**	2,677
	8,847	11,095

16. Commitments (Continued)

(b) At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	At 30 June 2009 $'000	At 31 December 2008 $'000
Within 1 year	**2,237**	1,934
After 1 year but within 5 years	**1,503**	—
	3,740	1,934

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

(c) At 30 June 2009, the Company had committed to provide finance of $6,489,000 (31 December 2008: $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

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

		Six months ended 30 June	
	Note	**2009 $'000**	2008 $'000
Sales of goods to related companies	*(i)*	**249,584**	140,222
Purchases of goods from			
— an associate		**513**	1,410
— related companies	*(i)*	**376,517**	737,995
Commission payable to a related company	*(i), (ii)*	**3,307**	1,632

17. Material related party transactions (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd and its subsidiaries.

(ii) Commission in respect of export distribution services provided to the Group is charged at 1.5% of the contracted prices payable by the overseas customers.

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

17. Material related party transactions (Continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2009	2008
	$'000	$'000
Short-term employee benefits	**1,414**	2,487
Post-employment benefits	**263**	209
Equity compensation benefits	**200**	—
	1,877	2,696

18. Comparatives figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Directors' Interests and Short Positions in Securities

As at 30 June 2009, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests and Short Positions in the Company

(A) Interests in ordinary shares

Name of director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held *(Note)*
Liang Jiang	Personal	380,000	Long position	0.042%
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 2009.

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

(i) *Share option schemes adopted on 24 August 2001 and 11 June 2004 ("2001 and 2004 Share Option Schemes")*

Name of director	Number of share options: At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At 30 June 2009	Date of grant of share options#	Total consideration paid for share options granted	Exercise period of share options (both days inclusive)##	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
						(DD.MM.YYYY)	*HK$*	*(DD.MM.YYYY)*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Liang Jiang	2,000,000	—	—	—	2,000,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Tan Yunbiao	1,500,000	—	—	1,500,000	—	06.02.2004###	10	06.05.2004 to 05.05.2009	1.582	0.155	—
	2,000,000	—	—	—	2,000,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Luo Fanyu	200,000	—	—	—	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Gerard Joseph McMahon	200,000	—	—	—	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Li Kar Keung, Caspar	200,000	—	—	—	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—

Notes to the above share options granted pursuant to 2001 and 2004 Share Option Schemes:

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

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

\### *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.*

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

Name of director	Number of share options: At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At 30 June 2009	Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
						(DD.MM.YYYY)	*HK$*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Liang Jiang	2,150,000	—	—	—	2,150,000	30.12.2008	—	0.75	0.74	—
Tan Yunbiao	1,200,000	—	—	—	1,200,000	30.12.2008	—	0.75	0.74	—
Hou Zhuobing	1,000,000	—	—	—	1,000,000	30.12.2008	—	0.75	0.74	—
Sung Hem Kuen	900,000	—	—	—	900,000	30.12.2008	—	0.75	0.74	—

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

(a) The option period of all the share options is 5.5 years from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options is as follows:

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

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

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

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

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

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

*** The price of the Company's ordinary shares disclosed as "immediately before date of grant" of the share options is the closing price on the Stock Exchange on the business day prior to which the options were granted.*

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

Interests and Short Positions in Guangdong Investment Limited

(A) Interests in ordinary shares

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

Note: The approximate percentage of interests held was calculated on the basis of 6,186,338,071 ordinary shares of Guangdong Investment Limited ("GDI") in issue as at 30 June 2009.

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

	Number of share options									
Name of director	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At 30 June 2009	Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options△	Price of ordinary share at date immediately before date of grant△△	Price of ordinary share at date immediately before the exercise date△△
						(DD.MM.YYYY)	*HK$*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Huang Xiaofeng	5,700,000	—	—	—	5,700,000	24.10.2008	—	1.88	1.73	—

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

(a) The option period of all the share options is 5.5 years from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options is as follows:

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

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

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

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

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

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

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

Interests and Short Positions in Kingway Brewery Holdings Limited

Interests in ordinary shares

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

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited in issue as at 30 June 2009.

Interests and Short Positions in Guangdong Tannery Limited

Interests in ordinary shares

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

Note: The approximate percentage of interests held was calculated on the basis of 537,504,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2009.

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 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' Interests

As at 30 June 2009, so far as is known to any directors and chief executives of the Company, the following persons (other than directors and chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interests held *(Note 1)*
廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") *(Note 2)*	537,198,868	Long position	59.32%
GDH Limited ("GDH")	537,198,868	Long position	59.32%

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 2009.*

2. *The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.*

Save as disclosed above, as at 30 June 2009, no other person (other than directors and chief executives of the Company) known to any directors and chief executives of the Company had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register kept by the Company under Section 336 of the SFO.

Share Option Schemes

On 11 June 2004, the Company adopted 2004 Share Option Scheme enabling the Company to attract, retain and motivate high caliber and talented participants to make contributions to the Group. On the same day, the Company also terminated the 2001 Share Option Scheme. Options granted under the 2001 Share Option Scheme prior to 11 June 2004 remain valid until lapsed.

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

During the period, 1,500,000 share options were lapsed and no share options were exercised nor cancelled under the 2001 Share Option Scheme.

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

During the period, 1,080,000 options were lapsed and no share options were exercised, cancelled nor granted under the 2008 Share Option Scheme.

As at 30 June 2009, options were outstanding under 2004 Share Option Scheme and 2008 Share Option Scheme entitling the holders to subscribe for 5,050,000 shares and 7,970,000 shares of the Company respectively.

As at 30 June 2009, save as disclosed under "Interests (long positions) in options relating to ordinary shares" on pages 38 and 39, certain employees and other participants of the Company had the following interests in rights to subscribe for shares of the Company granted under the 2004 Share Option Scheme and 2008 Share Option Scheme. Each option gives the holder the right to subscribe for one share of par value HK$0.5 each of the Company.

(i) 2004 Share Option Scheme

Category	Number of share options										
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At 30 June 2009	Date of grant of share options#	Total consideration paid for share options granted	Exercise period of share options (both days inclusive)##	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
						(DD.MM.YYYY)	*HK$*	*(DD.MM.YYYY)*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Employees	450,000	—	—	—	450,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—

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

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

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

(ii) 2008 Share Option Scheme

Category	Number of share options									
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At 30 June 2009	Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
						(DD.MM.YYYY)	*HK$*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Employees	2,600,000	—	—	—	2,600,000	30.12.2008	—	0.75	0.74	—
Other participant	1,200,000	—	—	1,080,000	120,000	30.12.2008	—	0.75	0.74	—

Notes to 2008 Share Option Scheme are set out in the "Notes to the above share options granted pursuant to 2008 Share Option Scheme" in the "Directors' Interests and Short Positions in Securities" section of this report on page 39.

(iii) Notes to the reconciliations of share options outstanding during the period under 2004 Share Option Scheme and 2008 Share Option Scheme are set out in the "(iii) Notes to the reconciliation of share options outstanding during the period" in the "Director's Interests and Short Positions in Securities" section of this report on page 39.

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 throughout the six months ended 30 June 2009.

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 2009.

Audit Committee

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

The Audit Committee holds regular meetings and it met three times during the six months ended 30 June 2009.

Compensation Committee

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

During the six months ended 30 June 2009, a meeting was held by the Compensation Committee to explore relevant issues.

Nomination Committee

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

During the six months ended 30 June 2009, a meeting was held by the Nomination Committee to explore relevant issues.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2009. 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 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the 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"), of which HK$160,000,000 was repaid in February 2009. 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.

Changes in Directors' Information

Changes in directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Commencing 1 January 2009, the remuneration which includes basic salaries, allowances and other benefits for Messrs. Liang Jiang, Tan Yunbiao and Sung Hem Kuen, executive directors of the Company, will amount to approximately HK$510,000, HK$380,000 and HK$960,000 per annum respectively.

Mr. Sung became a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom in September 2009.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK1.5 cents per share (six months ended 30 June 2008: HK2.0 cents per share) for the six months ended 30 June 2009. The interim dividend will be paid on Wednesday, 28 October 2009 to the shareholders whose names appear on the register of members on Friday, 9 October 2009.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 8 October 2009 and Friday, 9 October 2009. 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 Wednesday, 7 October 2009.

By order of the Board
Liang Jiang
Chairman

Hong Kong, 11 September 2009