GDH

GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

Unaudited financial highlights for the six months ended 30 June

	2010	2009	
	HK$'000	HK$'000	Changes
Turnover	**1,397,946**	1,122,679	+24.5%
Profit from operations	**166,721**	110,734	+50.6%
Profit attributable to shareholders	**136,128**	83,121	+63.8%
Earnings per share – Basic	**HK 15.03 cents**	HK 9.18 cents	+63.7%
Interim dividend per share	**HK 3.0 cents**	HK 1.5 cents	+100.0%

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS, PROSPECTS AND OTHER INFORMATION

RESULTS

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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 iron and steel enterprise. Currently, the annual production capacity of tinplate products and blackplates of the Group are 470,000 tonnes and 150,000 tonnes respectively, of which 220,000 tonnes of tinplate products and 150,000 tonnes of blackplates are from Zhongshan's capacity, whereas 250,000 tonnes of tinplate products are from Qinhuangdao's capacity.

Tinplating (Continued)

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

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

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.

Fresh and Live Foodstuffs (Continued)

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

Property Leasing

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

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

Associate

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

FINANCIAL POSITION

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

Liquidity and Financial Resources

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

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

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

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

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

Capital Expenditure

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

Charge on Assets

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

Exchange Rate and Interest Rate Exposures

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

PROSPECTS

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

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2010, which have been reviewed by the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2010	*2009*
	Note	**$'000**	$'000
Turnover	3	**1,397,946**	1,122,679
Cost of sales		**(1,177,245)**	(1,000,277)
Gross profit		**220,701**	122,402
Other revenue	4	**6,700**	43,166
Other net income	5	**15,399**	2,733
Distribution costs		**(27,938)**	(23,325)
Administrative expenses		**(47,256)**	(33,928)
Other operating expenses		**(885)**	(314)
Profit from operations		**166,721**	110,734
Net valuation gains on investment properties	10(b)	**374**	12,267
Finance costs	6(a)	**(3,774)**	(4,153)
Share of profit/(loss) of associate		**20,567**	(1,262)
Profit before taxation	6	**183,888**	117,586
Income tax	7	**(31,573)**	(17,586)
Profit for the period		**152,315**	100,000
Attributable to:			
Equity shareholders of the Company		**136,128**	83,121
Non-controlling interests		**16,187**	16,879
Profit for the period		**152,315**	100,000
Interim dividend	8(a)	**27,178**	13,586
Earnings per share			
Basic	9(a)	**15.03 cents**	9.18 cents
Diluted	9(b)	**14.96 cents**	9.18 cents

Consolidated Balance Sheet at 30 June 2010 - unaudited

(Expressed in Hong Kong dollars)

	Note	***At 30 June 2010*** **$'000**	*At 31 December 2009* $'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	**284,610**	282,420
- Other property, plant and equipment		**836,272**	864,613
- Interests in leasehold land held for own use under operating leases		**109,592**	110,655
	10	**1,230,474**	1,257,688
Interest in associate		**203,025**	196,772
		1,433,499	1,454,460
Current assets			
Inventories	11	**250,860**	200,418
Trade and other receivables, deposits and prepayments	12	**485,403**	506,556
Current taxation recoverable		**-**	415
Cash and cash equivalents	13	**717,438**	380,961
		1,453,701	1,088,350
Current liabilities			
Trade and other payables	14	**273,136**	280,309
Bank loans	15(a)	**517,634**	230,940
Loans from a related company	15(b)	**79,560**	79,560
Current taxation payable		**34,990**	40,946
		905,320	631,755
Net current assets		**548,381**	456,595
Total assets less current liabilities		**1,981,880**	1,911,055
Non-current liabilities			
Bank loans	15(a)	**77,000**	160,000
Deferred tax liabilities		**40,584**	26,546
		117,584	186,546
Net assets		**1,864,296**	1,724,509
Capital and reserves			
Share capital		**452,962**	452,862
Reserves		**1,262,252**	1,139,913
Total equity attributable to equity shareholders of the Company		**1,715,214**	1,592,775
Non-controlling interests		**149,082**	131,734
Total equity		**1,864,296**	1,724,509

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2010 but are extracted from the interim financial report.

The 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").

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

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

2. Changes in accounting policies

The HKICPA has issued two revised Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial report:

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

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

The developments resulted in changes in accounting policies but none of these changes in policy have a material impact on the current or comparative periods.

3. Turnover and segment reporting

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

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

(a) Segment results, assets and liabilities

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

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

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

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.

3. Turnover and segment reporting (Continued)

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

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

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

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

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

4. Other revenue

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

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

5. Other net income

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

6. Profit before taxation

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

	Six months ended 30 June	
	2010	*2009*
	$'000	$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within 5 years	**2,866**	4,072
Interest on loans from a related company	**908**	-
Interest on loan from immediate holding company	**-**	81
	3,774	4,153
(b) Staff costs:		
Net contributions paid to defined contribution retirement plans	**3,404**	3,060
Equity-settled share-based payment expenses	**321**	348
Salaries, wages and other benefits	**51,537**	39,229
	55,262	42,637

6. Profit before taxation (Continued)

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

		Six months ended 30 June	
		2010	*2009*
		$'000	$'000
(c)	Other items:		
	Amortisation of land lease premium	**1,672**	1,527
	Depreciation	**41,989**	41,023
	Operating lease charges in respect of property rentals	**2,804**	1,712
	Share of associate's taxation (note)	**7,436**	(449)
	Rentals receivable from investment properties less direct outgoings of $905,000 (30 June 2009: $1,069,000)	**(12,624)**	(12,044)

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

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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

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

Taxation in the consolidated income statement represents: (Continued)

Notes:

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

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

(iii) Zhongyue Posco, being a foreign investment enterprise established in the PRC before the New Tax Law passed on 16 March 2007, has applied for a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. Zhongyue Posco has been informed of the approval verbally by the tax authorities but no formal approval document has been received up to the date of issue of this interim financial report. The directors believe that Zhongyue Posco may enjoy such tax benefits and, therefore, no tax provision has been made for any prior periods. The provision for 2010 is calculated by applying the tax rate of 11%, being 50% of the transitional tax rate of 22%, to the taxable profit for the six months ended 30 June 2010.

(iv) This represents reversal of over-provision for PRC income tax in respect of the prior years.

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

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

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

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

8. Dividends

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

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

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

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

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

9. Earnings per share

(a) ***Basic earnings per share***

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

Weighted average number of ordinary shares

	Six months ended 30 June	
	2010	*2009*
	'000	'000
Issued ordinary shares at 1 January	**905,723**	905,603
Effect of share options exercised	**62**	-
Weighted average number of ordinary shares	**905,785**	905,603

9. Earnings per share (Continued)

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

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

10. Fixed Assets

(a) Acquisitions

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

(b) Investment properties

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

Investment properties in Hong Kong are pledged to secure the bank loans of $160,000,000 (31 December 2009: $160,000,000) (note 15(a)(iii)).

11. Inventories

Inventories in the consolidated balance sheet comprise:

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

12. 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 a related company (net of allowance for bad and doubtful debts) with the following ageing analysis:

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

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

13. Cash and cash equivalents

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

	At 30 June 2010 $'000	*At 31 December 2009* $'000
Deposits with banks	**358,813**	237,578
Cash at bank and in hand	**358,625**	143,383
Cash and cash equivalents in the consolidated balance sheet	**717,438**	380,961
Pledged bank deposits (note 15(a)(ii))	**(311,929)**	(246,018)
	405,509	134,943

14. Trade and other payables

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

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

15. Borrowings

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

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

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

15. Borrowings (Continued)

(a) Bank loans (Continued)

Notes:

(i) Included in unsecured bank loans is a loan of $77,000,000 (31 December 2009: $Nil) which is guaranteed by the Company and subject to fulfilment of certain loan covenants (note 15(a)(iv)).

(ii) The loans are secured by bank deposits of $311,929,000 (31 December 2009: $233,035,000).

(iii) The loans are guaranteed by the Company which also provided the investment properties situated in Hong Kong with a carrying value of $97,800,000 (31 December 2009: $95,885,000) as collateral.

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

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

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

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

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 Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the six months ended 30 June 2010.

Model Code for Securities Transactions by Directors

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

Audit Committee

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

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

Compensation Committee

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

During the six months ended 30 June 2010, a meeting was held by the Compensation Committee to explore 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 (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 member and making recommendations to the Board on appointment and reappointment of directors.

During the six months ended 30 June 2010, a meeting was held by the Nomination Committee to explore 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 2010. In addition, the Company's external auditors, KPMG, have also reviewed the aforesaid unaudited interim financial report.

Purchase, Sale and Redemption of Listed Securities

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

Interim Dividend

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

Closure of Register of Members

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

By Order of the Board
Liang Jiang
Chairman

Hong Kong, 27 August 2010

As at the date of this announcement, the Board is composed of four Executive Directors, namely Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen, three Non-Executive Directors, namely Mr. Huang Xiaofeng, Mr. Luo Fanyu and Ms. Hou Zhuobing, and three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.