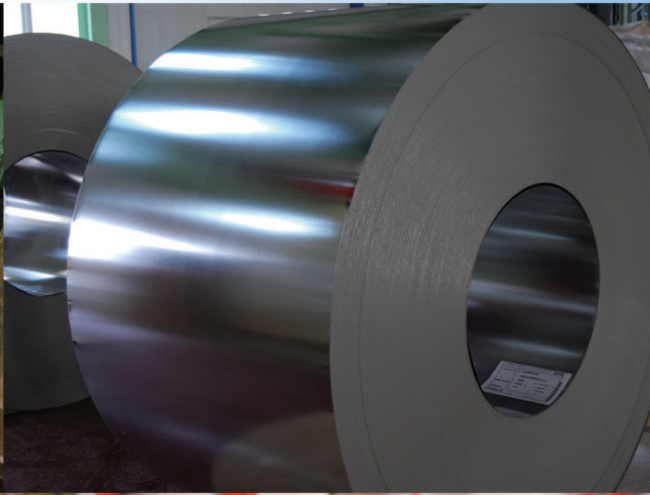
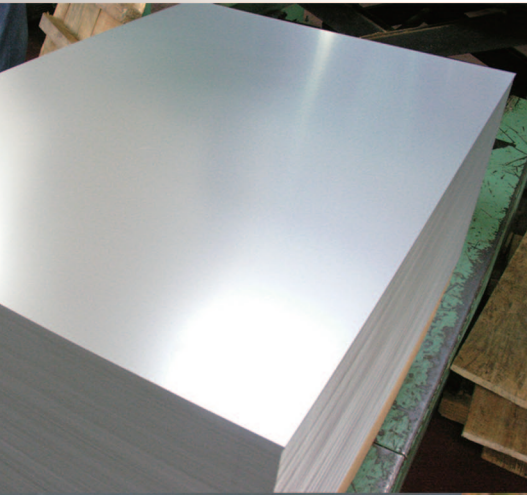




GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

Stock Code 股份代號:1203



2012 | INTERIM REPORT

中期報告

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Corporate Information

(as at 28 August 2012)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

LIANG Jiang
LUO Fanyu
LIANG Jianqin

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

TAN Yunbiao (*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
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China Limited, Zhongshan Branch
Bank of China Limited, Zhongshan Branch
China Citic Bank Corporation Limited, 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
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE INFORMATION

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

SHAREHOLDERS' CALENDAR

<i>Closure of Register of Members</i>	4 October 2012 and 5 October 2012
<i>Interim Dividend Payment Date</i>	HK1.5 cents per share 26 October 2012

Financial Highlights

(Expressed in Hong Kong dollars)

Unaudited Financial Highlights

	Six months ended 30 June		Change
	2012 \$'000	2011 \$'000	
Turnover	1,672,746	1,713,887	-2.4%
Profit from operations	72,239	121,708	-40.6%
Profit attributable to shareholders	59,388	125,006	-52.5%
Basic earnings per share	6.55 cents	13.80 cents	-52.5%
Interim dividend per share	1.5 cents	2.5 cents	-40.0%
	At 30 June 2012 \$'000	At 31 December 2011 \$'000	Change
Total assets	3,013,680	3,122,971	-3.5%
Shareholders' equity	2,072,525	2,041,716	+1.5%
Net asset value per share¹	\$2.28	\$2.25	+1.3%
Closing market price per share	\$0.92	\$0.98	
Net (cash)/borrowings²	(293,856)	56,374	
Gearing ratio³	-14.2%	2.8%	

Notes:

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

3.
$$\frac{\text{Net cash}}{\text{Shareholders' equity}}$$

2.
$$\text{Borrowings} - \text{cash and cash equivalents}$$

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

RESULTS

For the first half of 2012, the unaudited consolidated profit attributable to shareholders was HK\$59,388,000, representing a decrease of 52.5% from HK\$125,006,000 for the corresponding period last year. Basic earnings per share was HK 6.55 cents, a decrease of 52.5% from HK 13.80 cents for the corresponding period last year.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for the six months ended 30 June 2012 of HK 1.5 cents per share (six months ended 30 June 2011: HK 2.5 cents per share).

BUSINESS REVIEW

In the first half of 2012, some major business segments of the Group recorded an increase in profit whilst some others recorded a fall in profit. The Group's consolidated turnover was HK\$1,672,746,000, representing a decrease of HK\$41,141,000 or 2.4% from HK\$1,713,887,000 for the corresponding period last year. Profit from operations was HK\$72,239,000, representing a decrease of HK\$49,469,000 or 40.6% from HK\$121,708,000 for the corresponding period last year. In respect of our tinplating business, as a result of the slowdown in recovery of the global economy and the moderate economic growth rate in the mainland, the issue of excess production capacity in the iron and steel industry and the conflicts of supply outstripping demand became more obvious. The pressure on the selling price of tinplate products under intense competition, coupled with the rise in various costs including staff costs, together with the significant decrease in exchange gains due to the slower appreciation of Renminbi against the Hong Kong Dollar and the United States Dollar, all contributed to the significant decrease in the operating profit as compared to the corresponding period last year. As to the fresh and live foodstuffs business, there was a decrease in price of live pigs but the number of live pigs distributed increased. Together with the growth in the fresh meat retail business, both turnover and operating profit from the fresh and live foodstuffs business recorded an increase over the corresponding period last year. Given the devoted efforts of our operation team and premium quality sources of goods from major suppliers, the Group actively contributed to maintaining the supply in the market and the overall market share in the live pigs supply into Hong Kong remained at about 46%. This provided a steady contribution to the earnings of the Group. In respect of the property leasing business, along with the increase in the valuation of properties in Zhongshan in the first half of 2012, net valuation gains on investment properties of HK\$16,123,000 (2011: HK\$17,854,000) were recorded by the Group. For the associates, as a result of the substantial increase in the raw materials purchase cost of Yellow Dragon Food Industry Company Limited ("Yellow Dragon"), an associate of the Group, a share of loss of associates was recorded as compared with a share of profits of associates in the corresponding period last year.

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 is 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.

In the first half of 2012, the Group produced 174,044 tonnes of tinplate products, which represented an increase of 0.4% as compared to that in the corresponding period last year. Zhongyue Tinplate and Zhongyue Posco produced 103,438 tonnes and 70,606 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 69,043 tonnes of blackplates, an increase of 3.5% as compared to that in 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 northern and southern China sold 173,446 tonnes of tinplate products, a decrease of 1.4% as compared to that in the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 103,400 tonnes and 70,046 tonnes of tinplate products respectively, an increase of 3.6% and a decrease of 8.0% respectively as compared to that in the corresponding period last year. Turnover was HK\$1,492,569,000, a decrease of 5.7% as compared to the corresponding period last year and profit from operations was HK\$26,874,000, a decrease of HK\$28,235,000 or 51.2% as compared to that in the corresponding period last year. The tinplating business accounted for 89.2% and 37.2% of the Group’s turnover and profit from operations respectively.

At present, the excess supply over demand in the iron and steel industry and intense competition posed pressure on the selling price of tinplate products. In the first half of 2012, the rate of decrease in the market price of tinplating products was greater than the rate of decrease in the market price of hot-rolled plates, which is one of the major raw materials for the production of blackplates. Moreover, there had been surge in certain raw materials and operating costs. This, together with the significant decrease in exchange gains due to the slower appreciation of Renminbi against the Hong Kong Dollar and the United States Dollar, contributed to the significant decrease in operating profit of the Group’s tinplating business as compared to that in corresponding period last year. Through modifying and integrating the sales and marketing capacities of the tinplating plants in northern and southern China, the Group offered a more appropriate and diversified range of products to its customers. Active efforts were used in expanding sources of procuring blackplates, which provided a basis for the Group to leverage from the effect of economies of scale. This in turn mitigates the pressure on the Group regarding the surge in various types of costs. On the other hand, the Group utilised its bills receivable through the pursuit of more flexible payment methods with its suppliers. The Group successfully added liquidity to its working capital and bank deposits. Sales were stabilised by capitalising on the favourable position in capital management and effective control in credit management. Interest income was also enhanced accordingly. The Group continued the implementation of full budgetary control, strengthened internal control and deployed Six Sigma methodology for implementing a substantial number of projects for technological improvements in order to promote energy-saving, waste-reduction and efficiency-optimisation. Furthermore, the Group has committed more resources to R&D initiatives, incubating strengths for the future development of our tinplating business.

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, an 18.66% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. (“Hubei Jinxu”) and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. (“Guangdong Baojin”).

In the first half of 2012, the turnover of the fresh and live foodstuffs business amounted to HK\$166,100,000, representing an increase of 40.4% as compared to that in the corresponding period last year. Together with the share of profit of associates, namely Hubei Jinxu and Guangdong Baojin, of HK\$5,074,000, the total profit from operations was HK\$51,771,000, representing an increase of HK\$9,848,000 or 23.5% as compared to that in the corresponding period last year. There was a decrease in price of live pigs but the number of live pigs distributed increased. Together with the growth in the fresh meat retail business, both turnover and operating profit from the fresh and live foodstuffs business recorded an increase over the corresponding period last year. Through continuous optimisation of the business workflow, the Group proactively strengthened its communication with governmental authorities, suppliers, industry participants and customers. Service standards were enhanced. The Group also actively contributed to maintaining the supply in the market. The overall market share in the live pigs supply into Hong Kong was about 46%. This provided a steady contribution to the earnings of the Group.

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 2012, turnover from the property leasing business of the Group was HK\$14,077,000, an increase of 5.3% as compared to that in the corresponding period last year. Profit from operations of leasing properties amounted to HK\$8,885,000, an increase of 2.4% as compared to that in the corresponding period last year. In addition, along with the increase in the valuation of properties in Zhongshan in the first half of 2012, net valuation gains on investment properties of HK\$16,123,000 (2011: HK\$17,854,000) were recorded by the Group.

Yellow Dragon

The Group holds a 40% interest in Yellow Dragon Food Industry Co. Limited.

In the first half of 2012, Yellow Dragon recorded a sales volume of 180,787 tonnes in its major product, corn starch, representing a decrease of 10.5% as compared to that the corresponding period last year. Turnover was HK\$1,047,488,000, an increase of 1.0% as compared to that in the corresponding period last year. Since 2012, corn prices of major corn producing areas increased as a result of the continuous increase in the prices of cereals throughout the world. Being affected by production capacities and demand, the selling price of Yellow Dragon’s major product, corn starch, was lower than the purchase price of the raw material, corn. The increase in cost of sales arising from the increase in the price of corn was not effectively transferred to the downstream customers, which resulted in a loss attributable to the shareholders of HK\$26,442,000, as compared to a profit of HK\$48,099,000 in the corresponding period last year.

FINANCIAL POSITION

As at 30 June 2012, the Group's total assets and total liabilities amounted to HK\$3,013,680,000 and HK\$767,313,000, representing a decrease of HK\$109,291,000 and HK\$142,954,000 respectively when compared with the positions at the end of 2011. Net current assets increased from HK\$699,325,000 at the end of last year to HK\$923,759,000. The current ratio (current assets divided by current liabilities) increased from 1.80 as at the end of 2011 to 2.64.

Liquidity and Financial Resources

As at 30 June 2012, the Group maintained cash and cash equivalent balances of HK\$549,016,000, including pledged bank deposits of HK\$18,901,000. An amount of HK\$378,499,000 was denominated in Renminbi and HK\$78,879,000 was denominated in United States ("US") Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalent balances increased by 27.3% from the end of 2011.

As at 30 June 2012, the Group's borrowings comprised (1) bank borrowings of HK\$175,600,000 (31 December 2011: HK\$408,056,000), of which (i) HK\$160,000,000 (31 December 2011: HK\$211,951,000) was unsecured, (ii) HK\$Nil (31 December 2011: HK\$5,031,000) was secured by bills receivable of HK\$Nil (31 December 2011: HK\$5,031,000) and (iii) HK\$15,600,000 (31 December 2011: HK\$191,074,000) was secured by bank deposits of HK\$18,901,000 (31 December 2011: HK\$221,429,000); and (2) loans from a related company of HK\$79,560,000 (31 December 2011: HK\$79,560,000). 62.7% (31 December 2011: 32.8%) of the Group's borrowings was guaranteed by the Company. As at 30 June 2012, 37.3% of the Group's borrowings was repayable within 1 year and the remaining balance was repayable within 2 years while as at 31 December 2011, all of the Group's borrowings were repayable within 1 year. All borrowings were subject to annual interest rates ranging from 2.15% to 3.88% (31 December 2011: 1.34% to 3.88%). 93.9% (31 December 2011: 49.1%) of the Group's borrowings bear interest at floating rates. The management closely monitors the changes in market interest rates.

As at 30 June 2012, 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 -14.2% (31 December 2011: 2.8%).

As at 30 June 2012, the Group's available banking facilities amounted to HK\$300,400,000, of which HK\$183,227,000 was utilised and HK\$117,173,000 was unutilised. 53.3% of the Group's banking facilities were guaranteed by the Company. Currently, the cash reserves and available banking facilities, as well as the steady cash flow from operations, are sufficient to meet the Group's debt obligations and business operations.

Capital Expenditure

The Group's capital expenditure in the first half of 2012 amounted to HK\$14,839,000 (first half of 2011: HK\$12,926,000). It is expected that the capital expenditure for 2012 will be approximately HK\$39,000,000, mainly for the technological improvement projects of the blackplate manufacturing plant and tinplating plant of Zhongyue Tinplate to further enhance the quality and added value of the blackplates and tinplate products.

Charge on Assets

As at 30 June 2012, certain assets of the Group with an aggregate carrying value of HK\$18,901,000 (31 December 2011: HK\$226,460,000) 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. The Group is exposed to foreign currency risk primarily through import purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollar against Renminbi. In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

In respect of unforeseen fluctuations of exchange rates, the Group will hedge the exposure as and when necessary. As at 30 June 2012, there were forward foreign exchange contracts of US\$2,080,000 (equivalent to HK\$16,224,000) (31 December 2011: US\$25,350,000 (equivalent to HK\$197,730,000)) entered into by the Group to hedge against foreign currency loans. Except for the abovementioned, other borrowings are denominated in the functional currency of the corresponding entities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had a total of 1,243 full-time employees, an increase of 21 from the end of 2011. 181 of the employees were based in Hong Kong and 1,062 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 2012, 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 were accrued 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 a share option scheme to encourage excellent participants to continue their contribution to the Group.

PROSPECTS

Currently, there exist uncertainties in the recovery of the European and US economies, while the economic growth rate in the Mainland is slowing. With the iron and steel prices still staying at a low level in recent months, there is pressure on the sales of tinsplate products. In respect of the tinsplating business, while the Group will strive to increase production and sales volume and achieve economies of scale, we will also actively participate in the consolidation within the industry and strengthen the strategic relationships with our suppliers and customers, so as to create favourable conditions for the transformation and upgrade of this business. As to the fresh and live foodstuffs business, we will consolidate and stabilise our sources of goods, ensure market supply and develop our business supply chain operations. By leveraging on our sound financial position and abundant capital resources, we will continue to explore and capture various opportunities for development and strategic cooperation so as to lay a more solid foundation for a new round of business development in the future.

Review Report



Review Report to the Board of Directors of Guangnan (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 11 to 41 which comprises the consolidated balance sheet of Guangnan (Holdings) Limited as of 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement 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 2012 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

28 August 2012

Consolidated Income Statement

for the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2012 \$'000	2011 \$'000
Turnover	3	1,672,746	1,713,887
Cost of sales		(1,518,907)	(1,563,939)
Gross profit		153,839	149,948
Other revenue	4	7,537	7,846
Other net income	4	1,793	43,116
Distribution costs		(33,752)	(33,193)
Administrative expenses		(56,408)	(45,199)
Other operating expenses		(770)	(810)
Profit from operations		72,239	121,708
Net valuation gains on investment properties	8(b)	16,123	17,854
Finance costs	5(a)	(3,670)	(5,482)
Share of profits less losses of associates		(5,503)	22,918
Profit before taxation	5	79,189	156,998
Income tax	6	(16,131)	(21,932)
Profit for the period		63,058	135,066
Attributable to:			
Equity shareholders of the Company		59,388	125,006
Non-controlling interests		3,670	10,060
Profit for the period		63,058	135,066
Earnings per share			
Basic	7(a)	6.55 cents	13.80 cents
Diluted	7(b)	6.54 cents	13.76 cents

The notes on pages 19 to 41 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 2012 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
Profit for the period	63,058	135,066
Other comprehensive income for the period (after taxation):		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	(7,608)	38,573
Total comprehensive income for the period	55,450	173,639
Attributable to:		
Equity shareholders of the Company	52,596	160,445
Non-controlling interests	2,854	13,194
Total comprehensive income for the period	55,450	173,639

The notes on pages 19 to 41 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Non-current assets			
Fixed assets			
– Investment properties		349,088	334,136
– Other property, plant and equipment		769,159	803,576
– Interests in leasehold land held for own use under operating leases		109,728	112,120
	8	1,227,975	1,249,832
Interest in associates		294,256	299,259
Deferred tax assets		3,564	3,914
		1,525,795	1,553,005
Current assets			
Inventories	9	419,149	368,536
Trade and other receivables, deposits and prepayments	10	518,903	769,312
Current tax recoverable		817	876
Cash and cash equivalents	11	549,016	431,242
		1,487,885	1,569,966
Current liabilities			
Trade and other payables	12	438,660	361,626
Bank loans	13(a)	15,600	408,056
Loans from a related company	13(b)	79,560	79,560
Current tax payable		30,306	21,399
		564,126	870,641
Net current assets		923,759	699,325
Total assets less current liabilities		2,449,554	2,252,330

Consolidated Balance Sheet (Continued)

at 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Non-current liabilities			
Bank loans	13(a)	160,000	–
Deferred tax liabilities		43,187	39,626
		203,187	39,626
NET ASSETS			
		2,246,367	2,212,704
CAPITAL AND RESERVES			
Share capital		453,647	453,647
Reserves		1,618,878	1,588,069
Total equity attributable to equity shareholders of the Company			
		2,072,525	2,041,716
Non-controlling interests		173,842	170,988
TOTAL EQUITY			
		2,246,367	2,212,704

The notes on pages 19 to 41 form part of this interim financial report.

Consolidated Statement of Changes In Equity

for the six months ended 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital \$'000	Share premium \$'000	Capital reserve— share options \$'000	Exchange reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2012		453,647	5,419	5,102	307,781	107,440	44,836	1,117,491	2,041,716	170,988	2,212,704
Changes in equity for the six months ended 30 June 2012:											
Profit for the period		-	-	-	-	-	-	59,388	59,388	3,670	63,058
Other comprehensive income											
– Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		-	-	-	(6,792)	-	-	-	(6,792)	(816)	(7,608)
Total comprehensive income		-	-	-	(6,792)	-	-	59,388	52,596	2,854	55,450
Transfer to statutory reserves		-	-	-	-	-	5,477	(5,477)	-	-	-
Share-based payment expenses for the period		-	-	895	-	-	-	-	895	-	895
Dividends approved in respect of the previous year	14(a)	-	-	-	-	-	-	(22,682)	(22,682)	-	(22,682)
Balance at 30 June 2012		453,647	5,419	5,997	300,989	107,440	50,313	1,148,720	2,072,525	173,842	2,246,367

Consolidated Statement of Changes In Equity (Continued)

for the six months ended 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital \$'000	Share premium \$'000	Capital reserve— share options \$'000	Exchange reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2011		452,962	4,770	3,352	232,544	107,440	14,431	975,497	1,790,996	148,326	1,939,322
Changes in equity for the six months ended 30 June 2011:											
Profit for the period		–	–	–	–	–	–	125,006	125,006	10,060	135,066
Other comprehensive income											
– Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		–	–	–	35,439	–	–	–	35,439	3,134	38,573
Total comprehensive income		–	–	–	35,439	–	–	125,006	160,445	13,194	173,639
Transfer to statutory reserves		–	–	–	–	–	2,576	(2,576)	–	–	–
Exercise of share options		685	649	(306)	–	–	–	–	1,028	–	1,028
Share options lapsed during the period		–	–	(44)	–	–	–	44	–	–	–
Share-based payment expenses for the period		–	–	1,281	–	–	–	–	1,281	–	1,281
Dividends approved in respect of the previous year	14(a)	–	–	–	–	–	–	(18,118)	(18,118)	–	(18,118)
Balance at 30 June 2011		453,647	5,419	4,283	267,983	107,440	17,007	1,079,853	1,935,632	161,520	2,097,152

Consolidated Statement of Changes In Equity (Continued)

for the six months ended 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									Total equity \$'000	
	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	Total \$'000		Non-controlling interests \$'000
Balance at 1 July 2011		453,647	5,419	4,283	267,983	107,440	17,007	1,079,853	1,935,632	161,520	2,097,152
Changes in equity for the six months ended 31 December 2011:											
Profit for the period		–	–	–	–	–	–	88,149	88,149	8,512	96,661
Other comprehensive income											
– Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		–	–	–	39,798	–	–	–	39,798	3,608	43,406
Total comprehensive income		–	–	–	39,798	–	–	88,149	127,947	12,120	140,067
Transfer from statutory reserves		–	–	–	–	–	27,829	(27,829)	–	–	–
Share-based payment expenses for the period		–	–	819	–	–	–	–	819	–	819
Dividend declared to a minority shareholder		–	–	–	–	–	–	–	–	(2,652)	(2,652)
Dividends declared in respect of the current year	14(a)	–	–	–	–	–	–	(22,682)	(22,682)	–	(22,682)
Balance at 31 December 2011		453,647	5,419	5,102	307,781	107,440	44,836	1,117,491	2,041,716	170,988	2,212,704

The notes on pages 19 to 41 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2012 \$'000	2011 \$'000
Cash generated from operations		395,284	115,628
Income tax paid		(2,949)	(17,023)
Net cash generated from operating activities		392,335	98,605
Net cash used in investing activities		(14,669)	(59,228)
Net cash used in financing activities		(57,825)	(70,850)
Increase/(decrease) in cash and cash equivalents		319,841	(31,473)
Cash and cash equivalents at 1 January	11	209,813	294,739
Effect of foreign exchange rates changes		461	10,783
Cash and cash equivalents at 30 June	11	530,115	274,049

The notes on pages 19 to 41 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise stated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2012.

2. Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to HKFRS 7, *Financial instruments: disclosures*

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the balance sheet date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, *Income taxes*

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2. Changes in accounting policies (Continued)

Amendments to HKAS 12, *Income taxes* (Continued)

Previously, where investment properties were held under leasehold interests, the Group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 is not rebutted in respect of its investment properties located in Hong Kong. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale. As one of the Group's properties is located in Hong Kong which has no capital gains tax, this has resulted in a reduction in the amount of deferred tax provided on valuation gains. In respect of the Group's investment properties located in the People's Republic of China (the "PRC"), the Group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

This change in policy has been applied retrospectively but has no impact on the deferred tax and other balances in previous period except for restating the components of deferred tax in respect of revaluation of investment properties, tax losses and depreciation allowances in excess of the related depreciation at 1 January 2011 and 31 December 2011, with consequential adjustments to comparatives for the period ended 30 June 2011. Upon the adoption of amendments to HKAS 12, the deferred tax liability in respect of revaluation of investment properties at 1 January 2011 and 31 December 2011 has been restated from \$16,967,000 to \$13,283,000 and \$22,632,000 to \$14,674,000 respectively, deferred tax assets in respect of tax losses at 1 January 2011 and 31 December 2011 have been restated from \$3,183,000 to nil and \$7,452,000 to nil respectively, deferred tax liabilities in respect of depreciation allowances in excess of the related depreciation at 1 January 2011 and 31 December 2011 have been restated from \$12,450,000 to \$12,951,000 and \$13,456,000 to \$13,962,000 respectively, the deferred tax expense in respect of the net valuation gain of investment properties for the period ended 30 June 2011 has been restated from \$3,214,000 to \$789,000 and the deferred tax credit in respect of tax losses for the period ended 30 June 2011 has been restated from \$2,425,000 to nil.

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 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 assets and current assets with the exception of interest in an associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

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

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

	Tinplating		Fresh and live foodstuffs		Property leasing		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
For the six months ended 30 June								
Reportable segment revenue	1,492,569	1,582,230	166,100	118,291	14,077	13,366	1,672,746	1,713,887
Reportable segment profit	26,874	55,109	51,771	41,923	8,885	8,674	87,530	105,706
As at 30 June/ 31 December								
Reportable segment assets	2,199,572	2,348,387	227,577	196,204	357,714	343,012	2,784,863	2,887,603
Reportable segment liabilities	687,690	840,876	28,448	20,389	40,112	36,367	756,250	897,632

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

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

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
Profit		
Reportable segment profit derived from the Group's external customers	87,530	105,706
Unallocated head office and corporate income and expenses	(10,217)	19,680
Net valuation gains on investment properties	16,123	17,854
Finance costs	(3,670)	(5,482)
Share of (loss)/profit of an associate not attributable to any segment	(10,577)	19,240
Consolidated profit before taxation	79,189	156,998
Assets		
Reportable segment assets	2,784,863	2,887,603
Interest in an associate not attributable to any segment	216,415	228,213
Unallocated head office and corporate assets	12,402	7,155
Consolidated total assets	3,013,680	3,122,971
Liabilities		
Reportable segment liabilities	756,250	897,632
Unallocated head office and corporate liabilities	11,063	12,635
Consolidated total liabilities	767,313	910,267

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Other revenue and net income

	Six months ended	
	30 June	
	2012	2011
	\$'000	\$'000
Other revenue		
Interest income	5,773	4,377
Subsidies received	184	1,285
Others	1,580	2,184
	7,537	7,846
Other net income		
Net realised and unrealised exchange gain	689	15,369
Net loss on forward foreign exchange contracts	(672)	(1,252)
Recovery of bad debts written off	1,172	–
Gain on deemed disposal of interest in an associate (<i>note a</i>)	503	–
Write back of liabilities (<i>note b</i>)	–	28,090
Excess of the Group's interest in the acquiree's net fair value of the identifiable assets and liabilities over the cost of acquisition	–	147
Others	101	762
	1,793	43,116

Notes:

- (a) On 31 May 2012, Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu"), an associate of the Group, issued a total of 5,450,000 new shares to certain management personnel of Hubei Jinxu at a price of RMB2.37 per share. After the issuance of the new shares, the Group's equity interest in Hubei Jinxu was diluted from 19.53% to 18.66%, which resulted in a gain on deemed disposal of \$503,000.
- (b) The amounts mainly represented the write back of long outstanding liabilities as the statutory limitation periods stipulated in the relevant laws and regulations had expired and no actions were taken by these creditors.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	2,770	4,963
Interest on loans from a related company	900	519
	3,670	5,482
(b) Staff costs:		
Net contributions paid to defined contribution retirement plans	4,165	3,808
Equity-settled share-based payment expenses	895	1,281
Salaries, wages and other benefits	66,881	53,495
	71,941	58,584
(c) Other items:		
Amortisation of land lease premium	1,780	1,711
Depreciation	44,477	41,758
Operating lease charges in respect of property rentals	3,436	3,114
Share of associates' taxation (<i>note</i>)	673	6,612
Rentals receivable from investment properties less direct outgoings of \$1,172,000 (30 June 2011: \$922,000)	(12,905)	(12,444)

Note: 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 in the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	Six months ended 30 June	
		2012 \$'000	2011 \$'000
Current tax – Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2011: 16.5%) on the estimated assessable profits for the period		6,273	7,314
Current tax – the PRC			
Tax for the period		5,742	11,241
Under-provision in respect of prior years		–	333
		5,742	11,574
Deferred tax			
Origination and reversal of temporary differences		4,116	3,044
	(i)	16,131	21,932

Notes:

- (i) The provision for Hong Kong Profits Tax for 2012 is calculated by applying the estimated annual effective tax rate of 16.5% (2011: 16.5%) to the estimated taxable profits for the six months ended 30 June 2012. Income tax for subsidiaries established and operating in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant provinces or economic zones in the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

Taxation in the consolidated income statement represents: (Continued)

Notes: (Continued)

- (ii) *In accordance with the Corporate Income Tax Law of the PRC ("New Tax Law"), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the income tax rate for certain PRC subsidiaries of the Group is to be changed gradually to the standard rate of 25% over a five-year transition period beginning from 2008. The details of the tax relief are disclosed below.*
- (iii) *Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd., being a foreign investment enterprise established in the PRC before the New Tax Law was passed on 16 March 2007, was entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. The provision for 2012 is calculated by applying the tax rate of 12.5% being 50% of the transitional tax rate of 25%, to the taxable profit for the six months ended 30 June 2012.*
- (iv) *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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company of \$59,388,000 (30 June 2011: \$125,006,000) and the weighted average number of 907,293,000 (30 June 2011: 906,045,000) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	907,293	905,923
Effect of share options exercised (<i>note 14(b)</i>)	–	122
Weighted average number of ordinary shares	907,293	906,045

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company of \$59,388,000 (30 June 2011: \$125,006,000) and the weighted average number of ordinary shares (diluted) of 907,896,000 (30 June 2011: 908,293,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2012 '000	2011 '000
Weighted average number of ordinary shares used in the basic earnings per share calculation	907,293	906,045
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (<i>note 14(b)</i>)	603	2,248
Weighted average number of ordinary shares (diluted)	907,896	908,293

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Fixed assets

(a) Acquisitions

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of \$14,839,000 (30 June 2011: \$12,926,000).

(b) Investment properties

Investment properties situated in Hong Kong were revalued at 30 June 2012 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited (“Vigers”), who have among their staff members of Hong Kong Institute of Surveyors, on a market value basis. Investment properties situated in the PRC were revalued at 30 June 2012 by either Vigers or 秦皇島正揚資產評估事務所, independent firms of valuers registered in the PRC, on a market value basis. Based on the valuations, a net gain of \$16,123,000 (30 June 2011: \$17,854,000), and deferred tax thereon of \$3,431,000 (30 June 2011 (restated): \$789,000), have been recognised in the consolidated income statement.

(c) Leases

The Group leases out investment properties under operating leases. The leases run for an initial period of 6 months to 28 years, with an option to renew the leases upon expiry at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases was \$349,088,000 (31 December 2011: \$334,136,000).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

9. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Raw materials, spare parts and consumables	181,082	131,812
Work in progress	18,921	13,461
Finished goods	219,146	223,263
	419,149	368,536

Based on management's assessment of the net realisable value of inventories, there was no write-down of inventories to estimated net realisable value during the period (30 June 2011: \$7,491,000).

10. Trade and other receivables, deposits and prepayments

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade debtors	235,463	135,138
Bills receivable	96,288	471,175
Other receivables, deposits and prepayments	159,809	139,575
Amount due from a related company (<i>note</i>)	27,343	23,424
	518,903	769,312

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Current	358,776	628,198
1 to 3 months past due	318	1,539
	359,094	629,737

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 2012.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Cash and cash equivalents

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Deposits with banks	205,250	258,878
Cash at bank and in hand	343,766	172,364
Cash and cash equivalents in the consolidated balance sheet	549,016	431,242
Pledged bank deposits	(18,901)	(221,429)
Cash and cash equivalents in the condensed consolidated cash flow statement	530,115	209,813

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 2012 \$'000	At 31 December 2011 \$'000
Due within 1 month or on demand	288,303	210,670

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

12. Trade and other payables (Continued)

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Amounts due to associates	1,534	1,411
Amount due to a fellow subsidiary	23,278	23,250
Amount due to a related company (note)	242,495	174,143

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

13. Borrowings

(a) Bank loans

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Unsecured (note (i))	160,000	211,951
Secured by bills receivable (note (ii))	–	5,031
Secured by bank deposits (note (iii))	15,600	191,074
	175,600	408,056

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Borrowings (Continued)

(a) Bank loans (Continued)

The bank loans were repayable as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Within 1 year or on demand	15,600	408,056
After 1 year but within 2 years	160,000	–
	175,600	408,056

Notes:

- (i) *Included in unsecured bank loans are loans of \$160,000,000 (31 December 2011: \$160,000,000) which are guaranteed by the Company and subject to fulfilment of certain loan covenants (note 13(a)(iv)).*
- (ii) *No loans are secured by bills receivable as at 30 June 2012 (31 December 2011: \$5,031,000).*
- (iii) *The loans are secured by bank deposits of \$18,901,000 (31 December 2011: \$221,429,000).*
- (iv) *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 2012, none of the covenants relating to the bank loans had been breached.*

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Borrowings (Continued)

(b) Loans from a related company

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Loans from a related company	79,560	79,560

At 30 June 2012 and 31 December 2011, 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") + 0.9% per annum and repayable on either 8 September 2012 or 21 September 2012. The Group also provided loans of \$154,440,000 (31 December 2011: \$154,440,000) to this non-wholly owned subsidiary in proportion to the Group's shareholding therein.

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 2012 \$'000	2011 \$'000
Interim dividend declared after the interim period of 1.5 cents per ordinary share (30 June 2011: 2.5 cents per ordinary share)	13,609	22,682

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Capital, reserves and dividends (Continued)

(a) Dividends (Continued)

(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	
	2012	2011
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 2.5 cents per ordinary share (30 June 2011: 2.0 cents per ordinary share)	22,682	18,118

(b) Equity-settled share-based transactions

During the six months ended 30 June 2012, no share options were exercised.

During the six months ended 30 June 2011, 1,370,000 share options were exercised to subscribe for 1,370,000 ordinary shares at a consideration of \$1,028,000 of which \$685,000 was credited to share capital and the balance of \$343,000 was credited to the share premium account. \$306,000 was transferred from capital reserve – share options to the share premium account in accordance with the Group's accounting policies. These 1,370,000 ordinary shares of par value \$0.50 each rank pari passu with the existing ordinary shares of the Company in all respects.

In addition, during the six months ended 30 June 2012, there was no lapse or expiry of share options. During the six months ended 30 June 2011, 150,000 share options lapsed and there was no expiry of share options.

20,525,000 share options (31 December 2011: 20,525,000 share options) were outstanding at 30 June 2012 and the weighted average exercise price is \$1.428 (31 December 2011: \$1.428).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$25,000 effective from 1 June 2012 (2011: \$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 retirement 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 2012 was \$4,165,000 (30 June 2011: \$3,808,000). There were no forfeited contributions refunded for the period (30 June 2011: \$Nil).

16. Commitments

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report were as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Contracted for	5,876	8,922
Authorised but not contracted for	1,282	6,325
	7,158	15,247

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Commitments (Continued)

- (b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Within 1 year	3,022	2,431
After 1 year but within 5 years	600	933
	3,622	3,364

The Group leases a number of properties under operating leases. The leases run for an initial period of 1 to 2 years, with an option to renew each lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

- (c) At 30 June 2012, the Company had committed to provide additional capital of \$6,489,000 (31 December 2011: \$6,489,000) to an associate of the Group.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions

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

(a) Transactions with related parties

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

	Note	Six months ended 30 June 2012 \$'000	2011 \$'000
Sales of goods to related companies	(i)	420,691	529,151
Commission received/receivable from associates	(iii)	6,981	6,194
Commission paid/payable to a related company	(i), (ii)	6,276	7,937
Purchases of goods from related companies	(i)	560,702	639,207

Notes:

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions (Continued)

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

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

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

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

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

(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	
	2012 \$'000	2011 \$'000
Short-term employee benefits	3,626	3,127
Post-employment benefits	450	453
Equity compensation benefits	531	756
	4,607	4,336

Supplementary Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2012, 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 of Hong Kong Limited (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	1,210,000	Long position	0.133%
Li Li	Personal	1,417,000	Long position	0.156%
Tan Yunbiao	Personal	240,000	Long position	0.026%
Sung Hem Kuen	Personal	180,000	Long position	0.020%
Gerard Joseph McMahon	Personal	300,000	Long position	0.033%
Tam Wai Chu, Maria	Personal	200,000	Long position	0.022%
Li Kar Keung, Caspar	Personal	100,000	Long position	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of the Company in issue as at 30 June 2012.

Supplementary Information (Continued)

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

(i) Share option scheme adopted on 11 June 2004 ("2004 Share Option Scheme")

Name of Director	Date of grant of share options [#] (DD.MM.YYYY)	Number of share options				At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive) ^{##} (DD.MM.YYYY)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period						
Liang Jiang	09.03.2006	2,000,000	-	-	-	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Tan Yunbiao	09.03.2006	2,000,000	-	-	-	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Luo Fanyu	09.03.2006	200,000	-	-	-	200,000	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Li Kar Keung, Caspar	09.03.2006	200,000	-	-	-	200,000	1	09.06.2006 to 08.03.2016	1.66	1.61	-

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

The vesting period of the share options is from the date of grant until the commencement of the exercise 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 exercise periods is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.

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

Name of Director	Date of grant of share options (DD.MM.YYYY)	Number of share options				At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2012	Granted during the period	Exercised during the period					
Liang Jiang	30.12.2008	2,150,000	645,000	-	-	645,000	-	0.75	0.74	-
	05.07.2010	3,100,000	3,100,000	-	-	3,100,000	-	1.45	1.44	-
Li Li	05.07.2010	1,090,000	1,090,000	-	-	1,090,000	-	1.45	1.44	-
Tan Yunbiao	30.12.2008	1,200,000	360,000	-	-	360,000	-	0.75	0.74	-
	05.07.2010	2,100,000	2,100,000	-	-	2,100,000	-	1.45	1.44	-
Sung Hem Kuen	30.12.2008	900,000	270,000	-	-	270,000	-	0.75	0.74	-
	05.07.2010	1,860,000	1,860,000	-	-	1,860,000	-	1.45	1.44	-

Supplementary Information (Continued)

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

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

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

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

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

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

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

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

Supplementary Information (Continued)

Interests and Short Positions in Guangdong Investment Limited

(A) Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
Liang Jianqin	Personal	100,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 6,233,205,071 ordinary shares of Guangdong Investment Limited ("GDI") in issue as at 30 June 2012.

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

Name of Director	Date of grant of share options (DD.MM.YYYY)	Number of share options					At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise price of share options ^a HK\$ (per share)	Price of ordinary share at date immediately before date of grant ^{aa} HK\$ (per share)	Price of ordinary share at date immediately before the exercise date ^{aa} HK\$ (per share)
		At date of grant	At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
Huang Xiaofeng	24.10.2008	5,700,000	5,700,000	-	-	-	5,700,000	-	1.88	1.73	-

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

- The option period of all the share options is 5.5 years from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.
- 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%

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

Supplementary Information (Continued)

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

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

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

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

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

Interests and Short Positions in Kingway Brewery Holdings Limited

Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				<i>(Note)</i>
Luo Fanyu	Personal	86,444	Long position	0.005%
Liang Jianqin	Personal	56,222	Long position	0.003%

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 2012.

Supplementary Information (Continued)

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
Luo Fanyu	Personal	70,000	Long position	0.013%

(Note)

Note: The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, 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 2012, so far as is known to any directors and chief executives of the Company, the following persons (other than directors and chief executives of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interests held
廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") (Note 2)	537,198,868	Long position	59.21%
GDH Limited ("GDH")	537,198,868	Long position	59.21%

(Note 1)

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of the Company in issue as at 30 June 2012.*
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 2012, no other person (other than directors and chief executives of the Company) known to any directors and chief executives of the Company had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

On 11 June 2004, the Company adopted 2004 Share Option Scheme enabling the Company to attract, retain and motivate high caliber and talented participants to make contributions to the Group. On the same day, the Company also terminated the share option scheme adopted on 24 August 2001.

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

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

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

As at 30 June 2012, share options were outstanding entitling the holders to subscribe for 4,700,000 shares of the Company under 2004 Share Option Scheme, and to subscribe for 15,825,000 shares of the Company under 2008 Share Option Scheme, of which 2,055,000 share options were granted on 30 December 2008 and 13,770,000 share options were granted on 5 July 2010.

As at 30 June 2012, save as disclosed under "Interests (long positions) in options relating to ordinary shares" on pages 43 and 44, certain employees and other participants of the Company had the following interests in rights to subscribe for shares of the Company granted under 2004 Share Option Scheme and 2008 Share Option Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.5 each of the Company.

Supplementary Information (Continued)

(i) 2004 Share Option Scheme

Category	Date of grant of share options [†] (DD.MM.YYYY)	Number of share options				At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive) ^{##} (DD.MM.YYYY)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period						
Employees	09.03.2006	300,000	-	-	-	300,000	1	09.06.2006 to 08.03.2016	1.66	1.61	-

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

The vesting period of the share options is from the date of grant until the commencement of the exercise 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 exercise periods is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.

(ii) 2008 Share Option Scheme

Category	Date of grant of share options (DD.MM.YYYY)	Number of share options				At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2012	Granted during the period	Exercised during the period					
Employees	30.12.2008	2,600,000	780,000	-	-	780,000	-	0.75	0.74	-
	05.07.2010	5,620,000	5,620,000	-	-	5,620,000	-	1.45	1.44	-

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 44.

(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 44.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012 save for new code provision A.6.7 of the CG Code as a Non-Executive Director was unable to attend the Annual General Meeting of the Company held on 24 May 2012 as he had other engagements.

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 2012.

Board of Directors

At present, the Board comprises four Executive Directors, being Messrs. Tan Yunbiao, Li Li, Luo Jianhua and Sung Hem Kuen, three Non-Executive Directors, being Mr. Liang Jiang, Mr. Luo Fanyu and Ms. Liang Jianqin, and three Independent Non-Executive Directors, being Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. On 24 July 2012, Mr. Liang Jiang was re-designated as a Non-Executive Director and ceased to act as the Chairman of the Board. Mr. Tan Yunbiao was appointed the Chairman of the Board and ceased to act as the General Manager. Mr. Luo Jianhua was appointed as an Executive Director and the General Manager. Mr. Huang Xiaofeng resigned as a Non-Executive Director.

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

Changes in Directors' Information

The remuneration for the period up to 23 July 2012 which includes basic salaries, allowances and other benefits for Mr. Liang Jiang is approximately HK\$366,000. Mr. Liang had not received any remuneration commencing 24 July 2012.

Supplementary Information (Continued)

The remuneration for the year 2012 which includes basic salaries, allowances and other benefits for Mr. Tan Yunbiao is approximately HK\$520,000.

Commencing 1 January 2012, the remuneration which includes basic salaries, allowances and other benefits for Messrs. Li Li and Sung Hem Kuen, amounts to approximately HK\$692,000 and HK\$1,122,000 per annum respectively.

Ms. Tam Wai Chu, Maria retired from an independent non-executive director by rotation at the annual general meeting of Titan Petrochemicals Group Limited in June 2012.

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

Audit Committee

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

The Audit Committee holds regular meetings and it met three times during the six months ended 30 June 2012.

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 2012, 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. With effect from 24 July 2012, Mr. Liang Jiang ceased to be the chairman and the member and Mr. Tan Yunbiao has been appointed as the chairman of the Nomination Committee. Other than Mr. Tan Yunbiao as the chairman, Nomination Committee comprises 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 2012, 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 2012. 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 2012, 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 1.5 cents per share (six months ended 30 June 2011: HK 2.5 cents per share) for the six months ended 30 June 2012. The interim dividend will be paid on Friday, 26 October 2012 to the shareholders whose names appear on the register of members on Friday, 5 October 2012.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 4 October 2012 and Friday, 5 October 2012. 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, 3 October 2012.

By order of the Board

Tan Yunbiao

Chairman

Hong Kong, 28 August 2012

