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

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

Unaudited financial highlights for the six months ended 30 June

	2012	2011	
	HK$'000	HK$'000	Changes
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%
Earnings per share – Basic	**HK 6.55 cents**	HK 13.80 cents	-52.5%
Interim dividend per share	**HK 1.5 cents**	HK 2.5 cents	-40.0%

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 HK6.55 cents, a decrease of 52.5% from HK13.80 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 HK1.5 cents per share (six months ended 30 June 2011: HK2.5 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 stablised 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 tinplate products. In respect of the tinplating 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.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2012, which have been reviewed by the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2012 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2012	*2011*
	Note	**$'000**	$'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	5	**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	10(b)	**16,123**	17,854
Finance costs	6(a)	**(3,670)**	(5,482)
Share of profits less losses of associates		**(5,503)**	22,918
Profit before taxation	6	**79,189**	156,998
Income tax	7	**(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
Interim dividend	8(a)	**13,609**	22,682
Earnings per share			
Basic	9(a)	**6.55 cents**	13.80 cents
Diluted	9(b)	**6.54 cents**	13.76 cents

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	10(b)	**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
	10	**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	11	**419,149**	368,536
Trade and other receivables, deposits and prepayments	12	**518,903**	769,312
Current tax recoverable		**817**	876
Cash and cash equivalents	13	**549,016**	431,242
		1,487,885	1,569,966
Current liabilities			
Trade and other payables	14	**438,660**	361,626
Bank loans	15(a)	**15,600**	408,056
Loans from a related company	15(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
Non-current liabilities			
Bank loans	15(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

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2012 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

2. Changes in accounting policies

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards ("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.

2. Changes in accounting policies

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.

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 associates 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.

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

3. Turnover and segment reporting (Continued)

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

For the six months ended 30 June	*Tinplating*		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2012	*2011*	***2012***	*2011*	***2012***	*2011*	***2012***	*2011*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
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

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

	Six months ended 30 June	
	2012	*2011*
	$'000	$'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

	At 30 June 2012	*At 31 December 2011*
	$'000	$'000
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

4. Other revenue

	Six months ended 30 June	
	2012	*2011*
	$'000	$'000
Interest income	**5,773**	4,377
Subsidies received	**184**	1,285
Others	**1,580**	2,184
	7,537	7,846

5. Other net income

	Six months ended 30 June	
	2012	*2011*
	$'000	$'000
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 (note a)	**503**	-
Write back of liabilities (note b)	**-**	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

Note a: On 31 May 2012, Hubei Jinxu 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.

Note 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.

6. 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 5 years	**2,770**	4,963
Interest on loans from a related company	**900**	519
	3,670	5,482

6. Profit before taxation (Continued)

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

	Six months ended 30 June	
	2012	*2011*
	$'000	$'000
(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 (note)	**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.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

		Six months ended 30 June	
		2012	*2011*
	Note	**$'000**	$'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

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

Taxation in the consolidated income statement represents: (Continued)

Notes:

(i) The provision for Hong Kong Profits Tax for 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.

(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, 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.

8. Dividends

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

	Six months ended 30 June	
	2012	*2011*
	$'000	$'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.

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

	Six months ended 30 June	
	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

9. 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	*2011*
	'000	'000
Issued ordinary shares at 1 January	**907,293**	905,923
Effect of share options exercised	**-**	122
Weighted average number of ordinary shares	**907,293**	906,045

9. Earnings per share (Continued)

(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	*2011*
	'000	'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	**603**	2,248
Weighted average number of ordinary shares (diluted)	**907,896**	908,293

10. 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 秦皇島正揚資産評估事務所, 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.

11. 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

12. Trade and other receivables, deposits and prepayments

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

	At 30 June 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

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.

13. Cash and cash equivalents

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

	At 30 June 2012	*At 31 December 2011*
	$'000	$'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)
	530,115	209,813

14. Trade and other payables

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

	At 30 June 2012	*At 31 December 2011*
	$'000	$'000
Due within 1 month or on demand	**288,303**	210,670

15. Borrowings

	Note	***At 30 June 2012*** **$'000**	*At 31 December 2011* $'000
(a) Bank loans			
- unsecured	(i)	**160,000**	211,951
- secured by bills receivable	(ii)	**-**	5,031
- secured by bank deposits	(iii)	**15,600**	191,074
		175,600	408,056

The bank loans were repayable as follows:

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

15. Borrowings (Continued)

(a) Bank loans (Continued)

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 15(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.

	At 30 June 2012 **$'000**	*At 31 December 2011* $'000
(b) 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

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, the 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 member 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

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