GDH

GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

Unaudited financial highlights for the six months ended 30 June

	2013	2012	
	HK$'000	HK$'000	Changes
Turnover	**1,837,225**	1,672,746	9.8%
Profit from operations	**89,643**	72,239	24.1%
Profit attributable to shareholders	**76,755**	59,388	29.2%
Earnings per share – Basic	**HK 8.5 cents**	HK 6.5 cents	30.8%
Interim dividend per share	**HK 2.0 cents**	HK 1.5 cents	33.3%

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

RESULTS

For the first half of 2013, the unaudited consolidated profit attributable to shareholders was HK$76,755,000, representing an increase of 29.2% from HK$59,388,000 for the corresponding period last year. Basic earnings per share was HK8.5 cents, an increase of 30.8% from HK6.5 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 2013 of HK2.0 cents per share (six months ended 30 June 2012: HK1.5 cents per share).

BUSINESS REVIEW

In the first half of 2013, some major business segments of the Group recorded an increase in profit whilst some recorded a fall in profit. The Group's consolidated turnover was HK$1,837,225,000, representing an increase of HK$164,479,000 or 9.8% from HK$1,672,746,000 for the corresponding period last year. Profit from operations was HK$89,643,000, representing an increase of HK$17,404,000 or 24.1% from HK$72,239,000 for the corresponding period last year.

In respect of our tinplating business, the price of iron and steel products was relatively volatile in the first half of 2013. The excess supply over demand in the iron and steel industry and intense competition placed pressure on the selling price of tinplate products. Through modifying and integrating the sales and marketing capacities of the tinplating plants in northern and southern China, sales volume of tinplate products was increased as compared to that in the corresponding period last year, which created a basis for the Group to leverage from the effect of economies of scale. This in turn mitigated the pressure on the Group regarding the surge in the cost of raw materials and hence increased gross profit. Besides, as a result of the faster appreciation of Renminbi against the Hong Kong Dollar and the United States Dollar, exchange gains for the period increased significantly, which contributed to the significant increase in operating profit of the Group's tinplating business as compared to that in corresponding period last year.

As to the fresh and live foodstuffs business, the price of live pigs went down and hence the turnover of the fresh and live foodstuffs business recorded a decrease. Given the devoted efforts of our operation team and premium quality sources of goods from major suppliers, the Group actively maintained the market supply and the overall market share in the live pigs supply into Hong Kong remained at about 45%. This provided a relatively steady contribution to the earnings of the Group.

In respect of the property leasing business, in common with the increase in the valuation of office units in Hong Kong in the first half of 2013, net valuation gains on investment properties of HK$13,448,000 (2012: HK$16,123,000) were recorded by the Group.

For the associates, as a result of the slight decrease in the raw materials purchase cost of Yellow Dragon Food Industry Co., Ltd., an associate of the Group, its result for the period turned from a loss to a profit. On the other hand, the decrease in the price of live pigs led to operating losses being incurred by the two associates engaged in the pig farming business.

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., 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 2013, the Group produced 200,282 tonnes of tinplate products, which represented an increase of 15.1% as compared to that in the corresponding period last year. Zhongyue Tinplate and Zhongyue Posco produced 112,023 tonnes and 88,259 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 74,294 tonnes of blackplates, an increase of 7.6% as compared to that in the corresponding period last year, providing a steady supply of raw materials (i.e. blackplates) for its production of tinplate products. The Group's tinplating plants in northern and southern China sold 198,778 tonnes of tinplate products, an increase of 14.6% as compared to that in the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 106,582 tonnes and 92,196 tonnes respectively, an increase of 3.1% and 31.6% respectively as compared to that in the corresponding period last year. Turnover was HK$1,664,145,000, an increase of 11.5% as compared to the corresponding period last year and profit from operations was HK$44,756,000, an increase of HK$17,882,000 or 66.5% as compared to that in the corresponding period last year. The tinplating business accounted for 90.6% and 49.9% of the Group's turnover and profit from operations respectively.

In the first half of 2013, the price of iron and steel products was relatively volatile. The excess supply over demand in the iron and steel industry and intense competition placed pressure on the selling price of tinplate products. From the fourth quarter of 2012 to the first quarter of 2013, the rate of increase in the price of hot-rolled plates, which is one of the major raw materials for the production of blackplates, was greater than the rate of increase in the price of tinplating products. In the second quarter of 2013, the price of hot-rolled plates went down. Through modifying and integrating the sales and marketing capacities of the tinplating plants in northern and southern China, the Group increased its sales to customers in northern China. Sales volume of Zhongyue Posco increased by 31.6% as compared to that in the corresponding period last year, which created a basis for the Group to leverage from the effect of economies of scale. This in turn mitigated the pressure on the Group regarding the surge in the cost of raw materials and hence increased gross profit. Besides, as a result of the faster appreciation of Renminbi against the Hong Kong Dollar and the United States Dollar, exchange gains for the period increased significantly, which contributed to the significant increase in operating profit of the Group's tinplating business as compared to that in corresponding period last year. On the other hand, through the pursuit of more flexible payment methods with its suppliers, the Group successfully increased liquidity of its working capital and bank deposits. Interest income was enhanced accordingly. Sales were also stabilised by capitalising on the favourable position in capital management and adopting effective control in trade receivables management. The Group continued the implementation of full budgetary control, strengthened the 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 scientific and technological R&D initiatives, incubating new strengths for the future development of our tinplating business.

Tinplating (continued)

As the tinplating factory in Zhongshan is operating at full capacity, in order to accelerate the transformation and upgrade of our business, the Group re-occupied certain plant in our factory area in Zhongshan, which was previously let out, and proposes to construct a new tinplating production line with an annual production capacity of 150,000 tonnes, together with expansion of the relevant coating and printing production lines, with an estimated investment cost of approximately RMB235 million (equivalent to approximately HK$295 million). These new production lines will enable Zhongyue Tinplate to improve the standard of production equipment and product quality and refine the product mix. It will also facilitate the development of new products and strengthen our core competitiveness. The Group is now preparing to apply to the relevant authorities of the local government for the construction of the project. If all the relevant approvals are obtained, the construction will start in the second half of 2013 and it is expected to commence operation in 2014. By that time, the annual production capacity of tinplate products and blackplates of the Group's factories in northern and southern China will become 620,000 tonnes and 150,000 tonnes respectively.

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% (became 17.72% since July 2013) 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 2013, the turnover of the fresh and live foodstuffs business amounted to HK$159,737,000, representing a decrease of 3.8% as compared to that in the corresponding period last year. Together with the share of losses less profits of two associates, namely Hubei Jinxu and Guangdong Baojin, of HK$2,809,000, the total profit from operations was HK$42,542,000, representing a decrease of HK$9,229,000 or 17.8% as compared to that in the corresponding period last year. The price of live pigs went down and hence the turnover of the fresh and live foodstuffs business recorded a decrease. The decrease in the price of live pigs also led to operating losses being incurred by the two associates engaged in the pig farming business. 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 maintained the market supply. The overall market share in the live pigs supply into Hong Kong was about 45%. This provided a relatively 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 2013, turnover from the property leasing business of the Group was HK$13,343,000, a decrease of 5.2% as compared to that in the corresponding period last year. Profit from operations of leasing properties amounted to HK$8,118,000, a decrease of 8.6% as compared to that in the corresponding period last year. In addition, along with the increase in the valuation of office units in Hong Kong in the first half of 2013, net valuation gains on investment properties of HK$13,448,000 (2012: HK$16,123,000) were recorded by the Group.

Yellow Dragon

The Group holds a 40% interest in Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon").

In the first half of 2013, Yellow Dragon recorded a sales volume of 210,531 tonnes in its major product, corn starch, representing an increase of 16.5% as compared to that the corresponding period last year. Turnover was HK$1,025,451,000, a decrease of 2.1% as compared to that in the corresponding period last year. As the purchase price of the major raw material, corn, decreased slightly, its result for the period turned from a loss to a profit. A profit attributable to the shareholders of HK$3,361,000 was recorded, as compared to a loss of HK$26,442,000 in the corresponding period last year.

FINANCIAL POSITION

As at 30 June 2013, the Group's total assets and total liabilities amounted to HK$3,219,512,000 and HK$819,581,000, representing an increase of HK$194,697,000 and HK$92,073,000 respectively when compared with the positions at the end of 2012. Net current assets decreased from HK$1,014,167,000 at the end of 2012 to HK$960,206,000. The current ratio (current assets divided by current liabilities) also decreased from 2.9 as at the end of 2012 to 2.2.

Liquidity and Financial Resources

As at 30 June 2013, the Group's cash and cash equivalents balance was HK$691,273,000, of which HK$488,120,000 was denominated in Renminbi and HK$117,054,000 was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalents balance increased by 46.7% from the end of 2012.

As at 30 June 2013, the Group's borrowings comprised 1) unsecured bank borrowings of HK$259,318,000 (31 December 2012: HK$209,492,000); and 2) loans from a related company of HK$79,560,000 (31 December 2012: HK$79,560,000). 47.2% (31 December 2012: 55.4%) of the Group's borrowings was guaranteed by the Company. As at 30 June 2013, all of the Group's borrowings were repayable within 1 year while as at 31 December 2012, 44.6% of the Group's borrowings was repayable within 1 year and the remaining balance was repayable within 2 years. All borrowings were subject to annual interest rates ranging from 1.5% to 2.1% (31 December 2012: 0.9% to 2.3%) per annum. 70.7% (31 December 2012: 82.9%) of the Group's borrowings bears interest at floating rates. The management closely monitors the changes in market interest rates.

As at 30 June 2013, 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 -15.9% (31 December 2012: -8.6%).

As at 30 June 2013, the Group's available banking facilities amounted to HK$316,000,000, of which HK$184,103,000 was utilised and HK$131,897,000 was unutilised. Besides, 50.6% of the Group's banking facilities was 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 and Capital Commitments

The Group's capital expenditure in the first half of 2013 amounted to HK$9,570,000 (2012: HK$14,839,000). Capital commitments outstanding at 30 June 2013 not provided for in the financial statements amounted to HK$289,937,000 (31 December 2012: HK$252,143,000). Approximately RMB235 million (equivalent to approximately HK$295 million) was approved for the construction of a new tinplating production line of Zhongyue Tinplate, together with expansion of the relevant coating and printing production lines. It is expected that the capital expenditure for the year 2013 will be approximately HK$80 million.

Acquisitions and Disposals of Investments

During the first half of 2013, the Group had no material acquisitions and disposals of investments.

Charge on Assets

As at 30 June 2013, none of the assets of the Group was pledged.

Contingent liabilities

In April 2013, a PRC third party filed a claim against a subsidiary of the Group in the Court of Zhongshan City to recover an outstanding trade debt of approximately RMB2,060,000 (equivalent to HK$2,586,000) and a penalty of approximately RMB4,962,000 (equivalent to $6,229,000) for non-payment. Currently, the court proceedings are still in progress.

In prior years, this PRC third party had also filed claims in respect of the same matter but the claims were denied. Based on the information currently available, the Group considers that no provision is required to be made in respect of this claim because the likelihood of an adverse outcome is remote.

Except for the abovementioned matter, the Group had no material contingent liabilities as at 30 June 2013.

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 from 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 2013, there were no forward foreign exchange or interest rate swap contracts entered into by the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 1,243 full-time employees, a decrease of 39 from the end of 2012. 183 of the employees were based in Hong Kong and 1,060 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 2013, 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, a performance bonus was accrued according to various profit rankings and with reference to net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted share option schemes to encourage excellent participants to continue their contribution to the Group.

PROSPECTS

Currently, the recovery of the European and US economies is slow, while the economic growth rate in the Mainland China reduced slightly. With the iron and steel price still staying at a low level in recent months, there is pressure on the sales of tinplate products and there will be certain challenges in the operating environment in the second half of 2013. In respect of the tinplating business, the Group will strive to increase production and sales volume and achieve economies of scale. Meanwhile, we will also actively transform and upgrade our business and start a new round of development. The Group is proposing to construct a new tinplating production line in Zhongshan, with annual production capacity of 150,000 tonnes, together with expansion of the relevant coating and printing production lines, in order to improve the standard of production equipment and product quality and to strengthen our core competitiveness. The Group is now preparing to apply to the relevant authorities of the local government for the construction of the project. As to the fresh and live foodstuffs business, in order to further improve our quality services, we will consolidate and develop our business chain operation, continue to explore new stable sources of supply for live pigs and ensure market supply. 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 promote the business of the Group to a new level.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2013, which have been reviewed by the Company’s audit committee.

Consolidated Income Statement
For the six months ended 30 June 2013 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2013	*2012*
	Note	**$'000**	$'000
Turnover	3	**1,837,225**	1,672,746
Cost of sales		**(1,671,888)**	(1,518,907)
Gross profit		**165,337**	153,839
Other revenue	4	**7,499**	7,537
Other net income	5	**11,706**	1,793
Distribution costs		**(38,126)**	(33,752)
Administrative expenses		**(56,504)**	(56,408)
Other operating expenses		**(269)**	(770)
Profit from operations		**89,643**	72,239
Net valuation gains on investment properties	10(b)	**13,448**	16,123
Finance costs	6(a)	**(2,886)**	(3,670)
Share of profits less losses of associates		**(1,465)**	(5,503)
Profit before taxation	6	**98,740**	79,189
Income tax	7	**(13,427)**	(16,131)
Profit for the period		**85,313**	63,058
Attributable to:			
Equity shareholders of the Company		**76,755**	59,388
Non-controlling interests		**8,558**	3,670
Profit for the period		**85,313**	63,058
Interim dividend	8(a)	**18,146**	13,609
Earnings per share			
Basic	9(a)	8.5 cents	6.5 cents
Diluted	9(b)	8.5 cents	6.5 cents

Consolidated Balance Sheet at 30 June 2013 - unaudited

(Expressed in Hong Kong dollars)

	Note	***At 30 June 2013*** **$'000**	*At 31 December 2012* $'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	**346,838**	350,974
- Other property, plant and equipment		**723,646**	735,316
- Interests in leasehold land held for own use under operating leases		**118,455**	108,885
	10	**1,188,939**	1,195,175
Interest in associates		**291,087**	287,183
Deferred tax assets		**5,030**	3,946
		1,485,056	1,486,304
Current assets			
Inventories	11	**413,126**	437,822
Trade and other receivables, deposits and prepayments	12	**630,057**	628,481
Current tax recoverable		**-**	991
Cash and cash equivalents	13	**691,273**	471,217
		1,734,456	1,538,511
Current liabilities			
Trade and other payables	14	**399,053**	369,580
Bank loans	15(a)	**259,318**	49,492
Loans from a related company	15(b)	**79,560**	79,560
Current tax payable		**36,319**	25,712
		774,250	524,344
Net current assets		**960,206**	1,014,167
Total assets less current liabilities		**2,445,262**	2,500,471
Non-current liabilities			
Bank loans	15(a)	**-**	160,000
Deferred tax liabilities		**45,331**	43,164
		45,331	203,164
Net assets		**2,399,931**	2,297,307
Capital and reserves			
Share capital		**453,647**	453,647
Reserves		**1,756,941**	1,665,621
Total equity attributable to equity shareholders of the Company		**2,210,588**	2,119,268
Non-controlling interests		**189,343**	178,039
Total equity		**2,399,931**	2,297,307

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 2013 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 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 number of new Hong Kong Financial Reporting Standards ("HKFRSs") and 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 HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*

These developments have had no material impact on the Group's financial statements.

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

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

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

For the six months ended 30 June	*Tinplating*		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment revenue	**1,664,145**	1,492,569	**159,737**	166,100	**13,343**	14,077	**1,837,225**	1,672,746
Reportable segment profit	**44,756**	26,874	**42,542**	51,771	**8,118**	8,885	**95,416**	87,530
As at 30 June / 31 December								
Reportable segment assets (including interest in associates)	**2,424,259**	2,208,521	**224,598**	234,621	**347,427**	359,161	**2,996,284**	2,802,303
Reportable segment liabilities	**732,074**	654,922	**37,226**	24,346	**40,637**	39,052	**809,937**	718,320

3. Turnover and segment reporting (Continued)

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

	Six months ended 30 June	
	2013	*2012*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**95,416**	87,530
Unallocated head office and corporate income and expenses	**(8,582)**	(10,217)
Net valuation gains on investment properties	**13,448**	16,123
Finance costs	**(2,886)**	(3,670)
Share of profit /(loss) of an associate not attributable to any segment	**1,344**	(10,577)
Consolidated profit before taxation	**98,740**	79,189

	At 30 June 2013	*At 31 December 2012*
	$'000	$'000
Assets		
Reportable segment assets	**2,996,284**	2,802,303
Interest in an associate not attributable to any segment	**217,024**	211,862
Unallocated head office and corporate assets	**6,204**	10,650
Consolidated total assets	**3,219,512**	3,024,815
Liabilities		
Reportable segment liabilities	**809,937**	718,320
Unallocated head office and corporate liabilities	**9,644**	9,188
Consolidated total liabilities	**819,581**	727,508

4. Other revenue

	Six months ended 30 June	
	2013	*2012*
	$'000	$'000
Interest income	**6,508**	5,773
Subsidies received	**124**	184
Others	**867**	1,580
	7,499	7,537

5. Other net income

	Six months ended 30 June	
	2013	*2012*
	$'000	$'000
Net realised and unrealised exchange gain	**12,392**	689
Net loss on forward foreign exchange contracts	**-**	(672)
Recovery of bad debts written off	**-**	1,172
Gain on deemed disposal of interest in an associate (note)	**-**	503
Net loss on disposal of fixed assets	**(686)**	-
Others	**-**	101
	11,706	1,793

Note: 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.

6. Profit before taxation

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

	Six months ended 30 June	
	2013	*2012*
	$'000	$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within 5 years	**2,072**	2,770
Interest on loans from a related company	**814**	900
	2,886	3,670
(b) Staff costs:		
Net contributions to defined contribution retirement plans	**4,926**	4,165
Equity-settled share-based payment expenses	**399**	895
Salaries, wages and other benefits	**78,204**	66,881
	83,529	71,941
(c) Other items:		
Amortisation of land lease premium	**1,773**	1,780
Depreciation	**45,157**	44,477
Operating lease charges in respect of property rentals	**3,776**	3,436
Rentals receivable from investment properties less direct outgoings of $1,301,000 (30 June 2012: $1,172,000)	**(12,042)**	(12,905)

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	*Six months ended 30 June*	
		2013	*2012*
		$'000	$'000
Current tax – Hong Kong			
Provision for the period		**6,033**	6,273
Current tax – the People's Republic of China ("PRC")			
Provision for the period		**7,649**	5,742
Over-provision in respect of prior years		**(652)**	-
		6,997	5,742
Deferred tax			
Origination and reversal of temporary differences		**397**	4,116
	(i)	**13,427**	16,131

Notes:

(i) The provision for Hong Kong Profits Tax for 2013 is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the estimated taxable profits for the six months ended 30 June 2013. 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 a PRC subsidiary 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 2013 is calculated by applying the tax rate of 25% to the taxable profit for the six months ended 30 June 2013. The provision for 2012 was 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	
	2013	2012
	$'000	$'000
Interim dividend declared after the interim period of 2.0 cents per ordinary share (30 June 2012: 1.5 cents per ordinary share)	**18,146**	13,609

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	
	2013	2012
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 1.5 cents per ordinary share (30 June 2012: 2.5 cents per ordinary share)	**13,609**	22,682

9. Earnings per share

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

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of $76,755,000 (30 June 2012: $59,388,000) and the weighted average number of 907,293,000 (30 June 2012: 907,293,000) ordinary shares in issue during the period.

(b) ***Diluted earnings per share***

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of $76,755,000 (30 June 2012: $59,388,000) and the weighted average number of ordinary shares (diluted) of 907,578,000 (30 June 2012: 907,896,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2013	2012
	'000	'000
Weighted average number of ordinary shares used in the basic earnings per share calculation	**907,293**	907,293
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration	**285**	603
Weighted average number of ordinary shares (diluted)	**907,578**	907,896

10. Fixed Assets

(a) Acquisitions

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of $9,570,000 (30 June 2012: $14,839,000).

(b) Investment properties

Investment properties situated in Hong Kong with an aggregate value of $152,450,000 (31 December 2012: $139,031,000) were revalued at 30 June 2013 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 totalling $194,388,000 (31 December 2012: $211,943,000) were revalued at 30 June 2013 by either Vigers or 河北衡信資產評估有限公司, independent firms of valuers registered in the PRC, on a market value basis. Based on the valuations, a net gain of $13,448,000 (30 June 2012: $16,123,000), and deferred tax expense thereon of $7,000 (30 June 2012: $3,431,000), have been recognised in the consolidated income statement. During the six months ended 30 June 2013, a certain portion of investment properties situated in the PRC with carrying amount of $21,365,000 (30 June 2012: $Nil) was transferred from investment properties to other properties, plant and equipment due to change in use.

11. Inventories

	At 30 June 2013 $'000	*At 31 December 2012* $'000
Raw materials, spare parts and consumables	**197,059**	188,280
Work in progress	**19,515**	14,140
Finished goods	**196,552**	235,402
	413,126	437,822

12. Trade and other receivables, deposits and prepayments

At the balance sheet date, the ageing analysis of trade debtors, bills receivable and trade balances due from a related company (which are included in trade and other receivables, deposits and prepayments), based on the invoice date and net of allowance for bad and doubtful debts, is as follows:

	At 30 June 2013	*At 31 December 2012*
	$'000	$'000
Within 1 month	**562,730**	572,694
1 to 3 months	**25,844**	22,714
Over 3 months	**1,675**	1,844
	590,249	597,252

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 1 month 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

	At 30 June 2013	*At 31 December 2012*
	$'000	$'000
Deposits with banks	**-**	1,456
Cash at bank and in hand	**691,273**	469,761
Cash and cash equivalents in the consolidated balance sheet	**691,273**	471,217

14. Trade and other payables

At the balance sheet date, the ageing analysis of trade creditors and trade balances due to a related company and associates (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2013	*At 31 December 2012*
	$'000	$'000
Due within 1 month or on demand	**247,955**	217,448

15. Borrowings

	At ***30 June 2013*** **$'000**	*At 31 December 2012* $'000
(a) Bank loans		
- unsecured (note)	**259,318**	209,492

The bank loans were repayable as follows:

	At ***30 June 2013*** **$'000**	*At 31 December 2012* $'000
Within 1 year or on demand	**259,318**	49,492
After 1 year but within 2 years	**-**	160,000
	259,318	209,492

Note: Included in unsecured bank loans is a loan of $160,000,000 (31 December 2012: $160,000,000) which is guaranteed by the Company and subject to fulfilment of certain loan covenants relating to certain of the Group's balance sheet ratios as 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 2013, none of the covenants relating to the bank loan had been breached.

	At ***30 June 2013*** **$'000**	*At 31 December 2012* $'000
(b) Loans from a related company	**79,560**	79,560

At 30 June 2013 and 31 December 2012, 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 + 1.5% per annum and repayable on either 18 September 2013 or 28 September 2013.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has complied with the applicable code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2013.

At the meeting of the Board of Directors of the Company held on 22 August 2013, the Company has approved and adopted a diversity policy (the "Policy") which sets out its approach to achieve diversity on the Company's Board of Directors. The Nomination Committee of the Company is responsible for monitoring the Company's performance in meeting the requirements of the Policy, including the achievement of those measureable objectives as set out in the Policy.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2013, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK 2.0 cents per share (six months ended 30 June 2012: HK 1.5 cents per share) for the six months ended 30 June 2013. The interim dividend will be paid on Monday, 28 October 2013 to the shareholders whose names appear on the register of members on Friday, 4 October 2013.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 3 October 2013 and Friday, 4 October 2013. 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, 2 October 2013.

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 2013. In addition, the Company's external auditors, KPMG, have also reviewed the aforesaid unaudited interim financial report.

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 22 August 2013

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; two Non-Executive Directors, namely Mr. Liang Jiang 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.