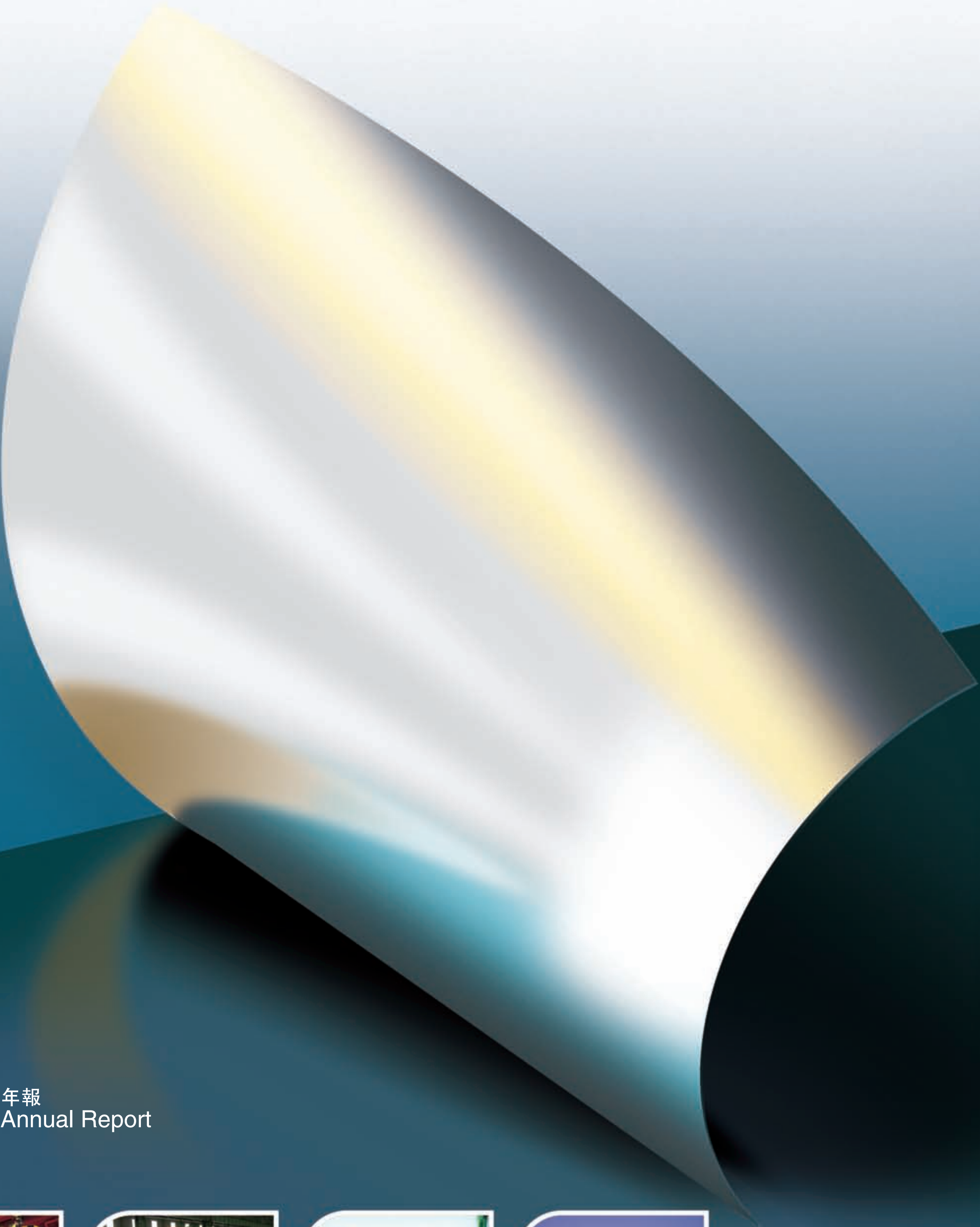
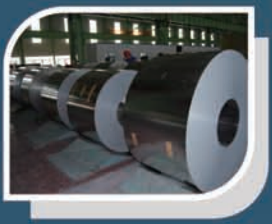
GUANGNAN (HOLDINGS) LIMITED
廣南(集團)有限公司

Stock Code 股份代號: 1203



2007 年報 Annual Report

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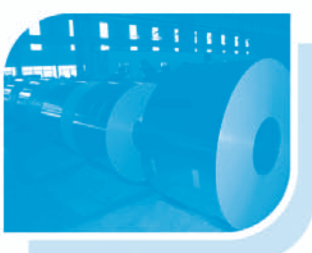

Corporate Information

BOARD OF DIRECTORS

Executive Directors

LIANG Jiang *(Chairman)*
LI Li *(Deputy Chairman)*
TAN Yunbiao *(General Manager)*
TSANG Hon Nam *(Chief Financial Officer)*

Non-executive Directors

ZHAO Leili
LUO Fanyu
HOU Zhuobing

Independent Non-executive Directors

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

QUALIFIED ACCOUNTANT

TSANG Hon Nam

COMPANY SECRETARY

CHEUNG Mo Ching

REGISTERED OFFICE

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

AUDITORS

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

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

SHARE INFORMATION

Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	1203
Board lot	2,000 shares
Financial year end	31 December

SHAREHOLDERS' CALENDAR

Closure of Register of Members	4 June 2008 to 6 June 2008
Annual General Meeting	6 June 2008
Final Dividend	HK 2.0 cents per share
Payment Date	30 June 2008

Financial Highlights

(Expressed in Hong Kong dollars)

	2007 $'000	2006 $'000	Change %
Turnover	1,593,460	1,221,254	30.5%
Profit attributable to shareholders	183,809	121,320	51.5%
Total assets	2,357,589	1,539,609	53.1%
Shareholders' funds	1,301,504	1,073,269	21.3%
Earnings per share — Basic	20.30 cents	13.50 cents	50.4%
Dividends per share			
Interim	2.00 cents	1.50 cents	
Proposed final	2.00 cents	2.00 cents	
	4.00 cents	3.50 cents	14.3%

Chairman's Statement

I am pleased to report to the shareholders that the Group recorded satisfactory results in 2007. The consolidated profit attributable to equity shareholders of the Company was HK$183,809,000, representing an increase of 51.5% compared with HK$121,320,000 in 2006. The basic earnings per share were HK 20.3 cents, representing an increase of 50.4% from HK 13.5 cents in 2006.

Dividend

The Directors recommend the payment of a final dividend of HK 2.0 cents per share for the year 2007. The final dividend for 2007, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 30 June 2008.

Review

In 2007, consolidated turnover was HK$1,593,460,000, a substantial increase of HK$372,206,000 or 30.5% from HK$1,221,254,000 in 2006. Such increase was primarily attributable to the growth of the tinplating business. The tinplating business recorded an increase in production and sales volume due to the sufficient supply of black-plates, leading to the surge in turnover of HK$341,186,000 or 30.8%.

In 2007, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") realised an annual production capacity of 200,000 tonnes and the production capacity utilisation rate reached 93.6% for the year, which broke the highest records of tinplating business in terms of its production volume since its operations commenced in 1990, compared with 83.5% for 2006.

Our tinplating business is in a high growth phase. Our black-plate manufacturing plant with an annual production capacity of 150,000 tonnes commenced production in March 2007, providing steady supply of black-plates, the major raw materials, for the production of tinplates. In addition, the new factory with annual production capacity of 250,000 tonnes of tinplates in Qinhuangdao City in Hebei Province, which was jointly-invested by the Group and POSCO Co. Ltd. ("POSCO"), an international renowned steel company, was completed and commenced production in February 2008, raising the production capacity of tinplates from 200,000 tonnes in 2007 to the current level of 450,000 tonnes, further enhancing our competitive strengths.

In July 2007, the Hong Kong SAR Government announced its agreement with the Ministry of Commerce of the PRC to recognize Guangnan Hong Company Limited as the second distributor for importing live pigs from mainland China. The relevant business was successfully embarked upon in December 2007, becoming a new source of growth for our foodstuffs distribution and trading business.

Prospects

The rapid economic growth and strong market demand in mainland China are introducing excellent opportunities to the nation's tinplating business. With the integration of our black-plate manufacturing plant project and the Qinhuangdao project, the strategic deployment of the two major tinplating production bases in the northern and southern regions respectively, the successful extension of the chain of our tinplating business and the continual expansion of our production scale, the Group is seeing substantial enhancement in its consolidated strengths among all its primary business. Coupled with the healthy development with our business of distribution of live pigs, our operating results are expected to reach a higher rung of the ladder.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our investors for their strong support to the Group over the year, and to our management and staff members of the Group for their commitment and devotion to generating good results to the Group.

Liang Jiang
Chairman

Hong Kong, 16 April 2008

Management Discussion & Analysis

Business Review

Tinplating

In 2007, the production and sales volume of tinplates of Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate"), a subsidiary of the Group, amounted to 187,186 tonnes and 197,623 tonnes, an increase of 13.5% and 15.4% respectively when compared with 2006. The turnover was HK$1,450,125,000, representing an increase of 30.8% when compared with 2006. Profit from operations was HK$76,449,000, a decrease of HK$5,348,000 or 6.5% when compared with 2006, which was primarily attributable to the low production volume of the black-plate manufacturing plant in its initial stage of operation during the first half of 2007. The contribution from the tinplating business to the Group's profit was the most significant. Its turnover accounted for 91.0% of the Group's turnover and its profit from operations accounted for 69.6% of the Group's profit from operations.

The black-plate manufacturing plant located in Zhongshan, with an annual production capacity of 150,000 tonnes, commenced production in late March 2007 providing steady supply of black-plates, the major raw materials for producing tinplates. The continual efforts of all the engineering and production technicians have remarkably enhanced the quality and volume of our products, providing favorable conditions to lower production costs and enter the niche market for tinplates on a fuller scale.

On 16 February 2007, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), a joint venture company between the Group and POSCO Co. Ltd. ("POSCO"), a steel company ranked 4th in the world's steel production, was established as to 66% owned by us and 34% owned by POSCO, with a designed annual production capacity of 250,000 tonnes of tinplates. The project proceeded as scheduled and was completed and commenced production in February 2008. Both factories located in the northern and southern regions produce a total of 450,000 tonnes of tinplates and 150,000 tonnes of black-plates per annum.

At the beginning of 2007, the Group acquired 5% interest in Zhongyue Tinplate from the PRC shareholder. Zhongyue Tinplate became a wholly-owned subsidiary of the Group after the acquisition. There is ample room for further development and operations for Zhongyue Tinplate in the future.

Property Leasing

The Group's leasing properties mainly included the plant and staff dormitory of Zhongyue Shan Hai Industrial Co., Ltd. ("Shan Hai"), and the office building in Hong Kong. In 2007, the total turnover from property leasing business of the Group was recorded at HK$26,178,000, an increase of HK$721,000 as compared with 2006. The profit from operations of property leasing business amounted to HK$16,764,000, an increase of 0.6% as compared with 2006.

At the beginning of 2007, the Group acquired 5% interest in Shan Hai from the PRC shareholder. Shan Hai became a wholly-owned subsidiary of the Group after the acquisition. There will be more room for future development and operations for Shan Hai.

Foodstuffs Distribution and Trading

In 2007, turnover of the foodstuffs distribution and trading business amounted to HK$117,157,000, representing a marked increase of HK$30,299,000 or 34.9% as compared with 2006 in the absence of the impact of bird flu and the increase in provisional quotas for livestock distribution during the year. Profit from operations of foodstuffs distribution and trading in 2007 was HK$21,213,000, representing an increase of HK$4,565,000 or 27.4% as compared with 2006.

On 20 July 2007, the Hong Kong SAR Government announced its agreement with the Ministry of Commerce of the PRC to recognize Guangnan Hong Company Limited as the second distributor for importing live pigs from mainland China. The relevant business was successfully embarked upon in December 2007, becoming a new source of growth for our foodstuffs distribution and trading business.

Associates

In 2007, Yellow Dragon Food Industry Co., Limited ("Yellow Dragon"), a principal associate of the Group, recorded a sales volume of 394,417 tonnes of corn starch, its major products, representing a decrease of 2.2% as compared with 2006. Turnover of Yellow Dragon amounted to HK$1,283,351,000 or an increase of 14.2% and its profit attributable to shareholders amounted to HK$52,078,000 or an increase of HK$1,792,000 or 3.6%, as compared with 2006.

The Group has 40% interest in Yellow Dragon and received a total dividend payment of RMB16,793,000 (approximately HK$16,907,000) in 2007. It is expected that the Group will receive a total dividend payment of RMB18,654,000 (approximately HK$19,921,000) in 2008 in respect of the profit earned in 2007.

Financial Position

As at 31 December 2007, the Group's total assets and total liabilities amounted to HK$2,357,589,000 and HK$968,342,000, representing an increase of HK$817,980,000 and HK$539,644,000 respectively compared with the positions at the end of 2006. The net current assets decreased from HK$144,383,000 at the end of 2006 to HK$62,478,000 and the current ratio (current assets divided by current liabilities) decreased from 1.35 as at the end of 2006 to 1.07.

Liquidity and Financial Resources

As at 31 December 2007, the Group maintained cash and cash equivalent balances of HK$147,009,000, including pledged bank balance of HK$55,900,000. An amount of HK$92,904,000 was denominated in Renminbi and HK$8,331,000 was denominated in United States Dollars while the remaining balance was denominated in Hong Kong dollars. Cash and cash equivalent balances decreased by 6.8% from the end of the 2006.

As at 31 December 2007, the Group's borrowings comprise bank borrowings of HK$503,428,000 (31 December 2006: HK$81,557,000), of which HK$281,720,000 (31 December 2006: HK$Nil) is unsecured, HK$168,988,000 (31 December 2006: HK$81,557,000) is secured by bills receivable and HK$52,720,000 (31 December 2006: HK$Nil) is secured by bank deposits of HK$50,571,000 (31 December 2006: HK$Nil), and a loan from immediate holding company of HK$21,216,000 (31 December 2006: HK$Nil). 84.7% of the Group's borrowings (31 December 2006: 100%) is repayable within one year, and the remaining balance is repayable within three years. All the borrowings were subject to an annual interest rate of 2.10% to 6.72% (2006: 1.92% to 3.24%). 15.3% and 15.3% of the Group's borrowings was guaranteed by a subsidiary of the Group and by the minority shareholder of the Group's non-wholly owned subsidiary, respectively.

The Group's gearing ratio, calculated by dividing the net borrowings (being interest-bearing borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was 29.0% (31 December 2006: negative 7.1%). The increase was primarily due to the funding requirements for the development of the Group's tinplating business.

As at 31 December 2007, the Group's total available banking facilities amounted to HK$418,968,000, of which HK$347,724,000 was utilised banking facilities and HK$71,244,000 were unutilised. 19.1% of the Group's banking facilities was secured by the corporate guarantee provided by a subsidiary of the Group. The cash reserve and available facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

On 25 January 2008, the Group entered into a facility agreement (the "Loan Agreement") with Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited. Pursuant to the Loan Agreement, a secured loan facility in the amount of HK$480,000,000 for a term of 3 years was made available to the Group's drawdown. The loan is interest-bearing at floating rates to fund the general corporate financing requirements of the Group. The loan fully reflected the banks' confidence and recognition of the credit standing and prospects of the Group.

Capital Expenditure

The Group's capital expenditure in 2007 amounted to HK$415,375,000 (2006: HK$369,377,000), of which HK$391,974,000 were acquired by a subsidiary, Zhongyue Posco. The subsidiary is principally engaged in the production and sale of tinplate products, and commenced production in February 2008.

Pledge of Assets

As at 31 December 2007, certain of the Group's bank deposits and bills receivable with a total net book value of HK$224,888,000 (31 December 2006: HK$81,557,000) were pledged to secure general banking facilities granted to the Group.

Litigation

In 2004, a claim was filed against a subsidiary of the Group alleging that the subsidiary, as the third claimee, had not repaid its outstanding amount due to the defendant of such case. The legal dispute was heard in the Intermediate People's Court of Yue Yang City, Hunan which delivered a decision in favour of the Group in January 2005. On 29 December 2006, the defendant, who turned into the plaintiff, filed a new claim against the subsidiary to the Intermediate People's Court of Zhongshan City. The amount of claim, together with damages arising from breach of contract was RMB5,788,000 (approximately HK$5,761,000). In October 2007, the court denied the plaintiff's claim on the ground that the plaintiff's litigation representative was not qualified, and ruled that the subsidiary was not liable for any payment in respect of this claim.

Exchange Rate and Interest Rate Exposure

The majority of the Group's business operations is in the PRC and Hong Kong. During the year, the exchange rates of Hong Kong Dollars and United States Dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the appreciation of Renminbi against United States Dollars, since majority of the Group's sales are settled in Renminbi, whereas the purchases are mainly made in Renminbi or United States Dollars, the Group does not have material exposure to foreign exchange.

The majority of the Group's borrowings bears interests at floating rates. The management pays attention to variations in interest rates. In respect of unforeseen fluctuations of exchange rates, the Group will adopt hedging instruments to hedge the exposure as and when necessary. As at 31 December 2007, there were forward foreign exchange contracts entered into by the Group to hedge certain foreign currencies loans which amounted to US$3,022,000 and JPY416,371,000 (equivalent to HK$52,720,000 in aggregate). Except these borrowings, other borrowings are denominated in the functional currency of the entity taking out the loans or, in United States Dollars. In view of the anticipated appreciation of Renminbi against United States Dollars, management does not consider the currency risk to be significant.

Employees and Remuneration Policies

As at 31 December 2007, the Group had a total of 1,042 full-time employees, an increase of 319 from the end of 2006. 47 of the employees were based in Hong Kong and 995 were in mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions, individual performance with reference to the prevailing industry practices. In 2007, the Group continued to implement control on the headcount, organization structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on the basis of net cash inflow from operation and profit after taxation. In addition, bonus will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Group has also adopted a share option scheme to encourage excellent participants to keep up with their contribution to the Group.

Directors' Profile

Executive directors

Mr. LIANG Jiang, aged 55, was appointed the Chairman of the Company in January 2002. He is also the chairman of three subsidiaries, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate"), Zhongshan Shan Hai Industrial Co., Ltd. ("Shan Hai") and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"). He is also an executive director of GDH Limited ("GDH"), a substantial shareholder of the Company. Mr. Liang graduated from South China Normal University, the PRC. He holds a Master's degree in Business Administration. He worked in the municipal governments of Foshan and Zhanjiang in Guangdong Province, the PRC and acted as the administrative head of Gaoming County, secretary of Gaoming County Party Committee and secretary of Gaoming Municipal Party Committee in Guangdong Province. During the period from October 1997 to March 2000, Mr. Liang acted as the chairman of Guangdong Real Estate (Holdings) Limited. Prior to joining the Company, he was the chairman of Guangdong Assets Management Limited ("GAM") and the chairman of Guangdong Alliance Limited ("GAL"). GAM and GAL are subsidiaries of GDH.

Mr. LI Li, aged 52, was appointed the Deputy Chairman and an Executive Director of the Company in January 2008. He is also the chairman of Guangnan Live Pigs Trading Limited, a subsidiary of the Company. Between May 2000 to July 2002, Mr. Li served as the Executive Vice Chairman of the Company. Mr. Li graduated from the Sun Yat-Sen University, the PRC and the South China Normal University, the PRC. He worked in Guangdong Foreign Economic Relations and Trade Committee (the "Committee") and was a deputy director of the Economic and Trade Administration Office of the Committee. Since September 1998, Mr. Li has acted as the general manager of Nam Yue Food Stuff Aquatics Company Limited ("Nam Yue Food") and Macau Wholesale Market Nam Yue Limited ("Macau Wholesale Market"). Mr. Li is the chairman of Nam Yue Food, Macau Wholesale Market and Nam Yue Luen Fung Trading Company Limited. The three companies are indirect wholly-owned subsidiaries of GDH.

Mr. TAN Yunbiao, aged 43, was appointed an Executive Director and the General Manager of the Company in February 2004. Mr. Tan graduated from South China Agricultural University, the PRC and worked in the municipal government in Zhongshan, the PRC between 1984 to 1988. Mr. Tan joined Shan Hai and Zhongyue Tinplate in 1988 and was promoted to the position of director and deputy general manager in 1997. He then became director and general manager of both companies in 2001. He is also a director of Zhongyue Posco.

Mr. TSANG Hon Nam, aged 38, was appointed an Executive Director and the Chief Financial Officer of the Company in February 2004. He is also a director and financial controller of Shan Hai and Zhongyue Tinplate. Mr. Tsang graduated from The Chinese University of Hong Kong and holds a Bachelor's degree in Science. He is an Associate of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Tsang joined Guangdong Enterprises (Holdings) Limited ("GDE") in 1998. Before joining the Company, he was a deputy general manager of the finance department of GDH.

Non-executive directors

Mr. ZHAO Leili, aged 54, was appointed a Non-executive Director of the Company in February 2004. Mr. Zhao has been a director of 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("GD Holdings"), the ultimate holding company of the Company, and an executive director of GDH since December 2001. He is also a non-executive director of a fellow subsidiary of the Company, Kingway Brewery Holdings Limited ("Kingway Brewery"). Mr. Zhao graduated from the Air Force Aviation College of People's Liberation Army. Between 1969 to 2001, he worked in a number of positions in the Air Force Aviation of People's Liberation Army and was a commander in the Air Force.

Mr. LUO Fanyu, aged 52, was appointed a Non-executive Director of the Company in May 2000. He is a director of GDH and a non-executive director of Kingway Brewery. He was a non-executive director of a fellow subsidiary of the Company, Guangdong Tannery Limited. He joined GDE in 1987 and was responsible for its legal affairs. Prior to joining GDE, he was a judge and a deputy chief judge of the Economic Court of People's High Court of Guangdong Province. Mr. Luo graduated from the economics department of Sun Yat-Sen University, the PRC.

Miss HOU Zhuobing, aged 46, was appointed a Non-executive Director of the Company in August 2006 and is also a director of Zhongyue Posco. She acted as a Non-executive Director of the Company between May 2000 to July 2002. Miss Hou graduated from the department of international finance of Jinan University, the PRC and obtained a Master's degree in Business Administration from Murdoch University, Australia. Miss Hou has extensive experience in treasury management and had worked for Guangzhou International Trust Investment Co., Ltd., Development Zone Branch. She joined the finance department of GDE in 1988 and was the general manager of finance department of GDH between August 2000 to July 2002. After that, Miss Hou acted as director and financial controller of Guangdong Teem (Holdings) Limited until July 2006 when she becomes the general manager of finance departments of GD Holdings and GDH.

Independent non-executive directors

Mr. Gerard Joseph McMAHON, aged 64, was appointed an Independent Non-executive Director of the Company in June 1999. He was, until end of 1996, an executive director and a member of the Securities and Futures Commission of Hong Kong ("SFC"), a member of the Hong Kong Takeovers and Mergers Panel and the SFC representative on the Hong Kong Standing Committee on Company Law Reform. Mr. McMahon is also a barrister in Hong Kong. He is a non-executive director of Quay Point Corporation Limited, a Hong Kong listed company. He has been appointed non-executive director of a number of publicly listed companies in Hong Kong, Indonesia and Australia since 1997.

Miss TAM Wai Chu, Maria, *GBS, J.P., LL.D (Honorary), LL.B. (Hons.), Barrister-at Law*, aged 62, was appointed an Independent Non-executive Director of the Company in June 1999. She is also non-executive director of seven other Hong Kong listed companies, namely Wing On Company International Limited, Minmetals Land Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies Company Limited, Sa Sa International Holdings Limited, Titan Petrochemicals Group Limited and Nine Dragons Paper (Holdings) Limited. She is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and a member of the Task Group on Constitutional Development of the Commission on Strategic Development. Her public duties also include being a member of the HKSAR Basic Law Committee under the Standing Committee of the National People's Congress PRC and a member of the National People's Congress PRC.

Mr. LI Kar Keung, Caspar, aged 55, was appointed an Independent Non-executive Director of the Company in June 1999. He is the president of a management consultancy company. He had worked as a deputy managing director of BNP Paribas Peregrine Capital Limited, an investment analyst and head of Citicorp's equity research in Hong Kong. Mr. Li had also held the positions of executive director and chief financial officer of certain companies listed in Hong Kong.

Senior management

The senior management of the Group comprises the Executive Directors above, namely, Messrs. Liang Jiang, Li Li, Tan Yunbiao and Tsang Hon Nam.

Report of the Directors

The directors ("Directors") of Guangnan (Holdings) Limited (the "Company") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

Principal Activities

The Company is principally engaged in investment holding. The subsidiaries of the Company are primarily engaged in manufacturing and sales of tinplates and related products, development and leasing of properties, distribution and sales of live and fresh foodstuffs and foodstuffs trading. The Group's principal activities are mainly carried out in Hong Kong and in mainland China.

The analysis of the Group's turnover by principal activities, the Group's operating result by business segments and by geographical segments during the year are respectively set out in notes 3 and 13 to the financial statements.

Results and Dividends

The Group's consolidated results for the year ended 31 December 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 32 to 104.

An interim dividend of HK 2.0 cents (2006: HK 1.5 cents) per share was paid on 31 October 2007. The Directors recommended the payment of a final dividend of HK 2.0 cents (2006: HK 2.0 cents) per share for the year ended 31 December 2007.

The proposed final dividend, if approved at the 2008 Annual General Meeting of the Company, is expected to be paid on 30 June 2008 to shareholders whose names appear on the register of members of the Company on 6 June 2008.

Fixed Assets

Details of movements in the fixed assets of the Group and the Company during the year are set out in notes 14(a) and 14(b) to the financial statements respectively.

Principal Subsidiaries and Associates

Details of the Company's principal subsidiaries and associates as at 31 December 2007 are set out in notes 37 and 39 to the financial statements respectively.

Borrowings and Interest Capitalised

Details of borrowings of the Group and the Company are set out in note 24 to the financial statements. Interest expenses of HK$1,057,000 (2006: HK$Nil) were capitalised by the Group during the year.

Share Capital

Details of the share capital of the Company are set out in note 26(c) to the financial statements. Shares were issued by the Company during the year upon exercise of share options.

Reserves

Consolidated profits attributable to equity shareholders of the Company, before dividend, of HK$183,809,000 (2006: HK$121,320,000) have been transferred to reserves. Other movements in the reserves of the Group and the Company during the year are set out in notes 26(a) and 26(b) to the financial statements respectively.

Retirement Benefits Schemes

Details of the Group's retirement benefit schemes are set out in note 31 to the financial statements.

Major Customers and Suppliers

For the year ended 31 December 2007, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

The largest supplier for the year ended 31 December 2007 represented 50.5% of the Group's total purchases (not including purchases of capital nature), and the combined total of the five largest suppliers accounted for 78.0% of the Group's total purchases for the year.

The largest supplier of the Group is Posco Co., Ltd. ("Posco") and its subsidiaries. Posco is a minority shareholder of Zhongyue Posco (Qinhuangdao) Tinplate Co., Ltd, a 66% owned subsidiary of the Group. Further details are set out in Note 1C of the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" on pages 105 to 107.

At no time during the year have the directors, their associates or any shareholder of the Company, who to the knowledge of the Directors, owns more than 5% of the Company's share capital, had any interests in these major suppliers.

Charitable Donations

During the year, charitable donations made by the Group amounted to HK$103,000 (2006: HK$10,000).

Properties

Particulars of the major properties of the Group are set out on page 108.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five years ended 31 December 2007 is set out on pages 109 and 110.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
LIANG Jiang
LI Li *(appointed on 7 Janaury 2008)*
TAN Yunbiao
TSANG Hon Nam

Non-executive Directors
ZHAO Leili
LUO Fanyu
DONG Decai *(resigned on 12 November 2007)*
HOU Zhuobing

Independent Non-executive Directors
Gerard Joseph McMAHON
TAM Wai Chu, Maria
LI Kar Keung, Caspar

The Company has received confirmation of independence from the Independent Non-executive Directors, namely Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The Company and its Nomination Committee consider each of the Independent Non-executive Directors to be independent.

Retirement and Re-election of Directors

In accordance with Article 92 of the Company's Articles of Association, Mr. Li Li would retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Article 101 of the Company's Articles of Association, Messrs. Liang Jiang and Luo Fanyu and Miss Tam Wai Chu, Maria would retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in The Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

(I) Long positions in shares

(i) The Company

Name of Director	Number of ordinary shares held (personal interests)	Approximate percentage of interests held
Liang Jiang	150,000	0.017%
Tsang Hon Nam	200,000	0.022%
Gerard Joseph McMahon	100,000	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 905,603,285 ordinary shares of the Company in issue as at 31 December 2007.

(ii) Guangdong Investment Limited

Name of Director	Number of ordinary shares held (personal interests)	Approximate percentage of interests held
Hou Zhuobing	32,000	0.000%

Note: The approximate percentage of interests held was calculated on the basis of 6,103,938,071 ordinary shares of Guangdong Investment Limited in issue as at 31 December 2007.

(iii) Kingway Brewery Holdings Limited

Name of Director	Number of ordinary shares held (personal interests)	Approximate percentage of interests held
Luo Fanyu	86,444	0.005%

Note: The approximate percentage of interests held was calculated on the basis of 1,706,672,000 ordinary shares of Kingway Brewery Holdings Limited in issue as at 31 December 2007.

(iv) Guangdong Tannery Limited

Name of Director	Number of ordinary shares held (personal interests)	Approximate percentage of interests held
Luo Fanyu	70,000	0.013%

Note: The approximate percentage of interests held was calculated on the basis of 537,504,000 ordinary shares of Guangdong Tannery Limited in issue as at 31 December 2007.

(II) Long positions in options relating to ordinary shares of the Company

		Number of share options					During the year Number of share options				Share Price	
Name of Director	Date of share options granted#	Held on 01.01.2007 ('000)	Granted during the year ('000)	Exercisable period of share options*	Total consideration paid for share options granted (HK$)	Price per share to be paid on exercise of share options (HK$)	Exercised ('000)	Lapsed ('000)	Cancelled ('000)	Number of share options held on 31.12.2007 ('000)	At share options grant date** (HK$)	At share options exercise date** (HK$)
Liang Jiang	06.02.2004***	2,000	—	06.05.2004 to 05.05.2009	10	1.582	2,000	—	—	—	0.155	1.570
	09.03.2006	2,000	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	2,000	1.610	—
Tan Yunbiao	06.02.2004***	1,500	—	06.05.2004 to 05.05.2009	10	1.582	—	—	—	1,500	0.155	—
	09.03.2006	2,000	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	2,000	1.610	—
Tsang Hon Nam	09.03.2006	300	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	300	1.610	—
Zhao Leili	09.03.2006	200	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	200	1.610	—
Luo Fanyu	09.03.2006	200	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	200	1.610	—
Gerard Joseph McMahon	09.03.2006	200	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	200	1.610	—
Tam Wai Chu, Maria	09.03.2006	200	—	09.06.2006 to 08.03.2016	1	1.660	200	—	—	—	1.610	1.750
Li Kar Keung, Caspar	09.03.2006	200	—	09.06.2006 to 08.03.2016	1	1.660	—	—	—	200	1.610	—

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

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

** *The share prices disclosed as "At share options grant date" and "At share options exercise date" are the closing prices of the ordinary shares of the Company quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options and the date of exercise of the share options respectively.*

*** *For those options granted on 6 February 2004, the number of options outstanding and the exercise price were adjusted as a result of the consolidation of the ordinary shares of the Company that took effect on 19 December 2005.*

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company held by the Directors in trust for the Company, as at 31 December 2007, none of the Directors and chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Listing Rules.

Share Option Schemes of the Company

On 11 June 2004, the Company adopted a new share option scheme ("2004 Share Option Scheme") and terminated its share option scheme that was adopted on 24 August 2001 ("2001 Share Option Scheme"). Options granted prior to the termination of the 2001 Share Option Scheme remain valid until lapsed.

2001 Share Option Scheme

Pursuant to the 2001 Share Option Scheme, the exercise price of the options under the Scheme is determinable by the Directors in their discretion, but may not be less than the higher of (i) the nominal value of the shares of the Company; and (ii) 80% of the average of the closing prices per share as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the date of grant of an option.

Pursuant to the 2001 Share Option Scheme, the Directors are authorized, at their discretion, to invite full-time employees of the Company and its subsidiaries, including Executive Directors but excluding Non-executive Directors to take up options to subscribe for shares of the Company. A grant of options under the 2001 Share Option Scheme may be accepted in writing and upon payment of a consideration of HK$10 in total by the grantee to the Company within 21 days from the date of grant. Options granted under the 2001 Share Option Scheme is exercisable within a period of 5 years commencing on the business day immediately following the expiry of 3 months after the date of grant and expiring at the close of business on the last business day of such 5 year period.

2004 Share Option Scheme

The purpose of the 2004 Share Option Scheme of the Company is to enable the Company to have a new scheme with terms compatible with modern practice to recruit and retain quality employees to serve the Group on a long-term basis, to maintain good relationships with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the Group. Eligible participants of the 2004 Share Option Scheme include the Company's Directors (including Non-executive Directors and Independent Non-executive Directors), employees or executives of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and substantial shareholders of the Group. The 2004 Share Option Scheme unless otherwise terminated or amended, will remain in force for 10 years from 25 June 2004.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the 2004 Share Option Scheme and any other share option schemes of the Company may not exceed 30% of its shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Share Option Scheme and any other share option schemes of the Company may not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the 2004 Share Option Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the 2004 Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period up to the date of grant may not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

The grant of share options under the 2004 Share Option Scheme may be accepted within 14 days from the date of grant upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the Directors of the Company, commences after a certain vesting period and ends on a date which is not more than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the Directors, but shall at least be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

During the year, 3,820,000 options and 200,000 options were exercised under the 2001 and 2004 Share Option Schemes respectively. There were 1,500,000 options lapsed under the 2004 Share Option Scheme. The Company did not grant any options under the 2004 Share Option Scheme. As at 31 December 2007, options were outstanding under the 2001 and 2004 Share Option Schemes entitling the holders to subscribe for 4,500,000 shares and 9,950,000 shares of the Company respectively.

As at 31 December 2007, save as disclosed in the section of "Long positions in options relating to ordinary shares of the Company", certain employees of the Company had the following interests in rights to subscribe for shares of the Company granted under the 2001 and 2004 Share Option Schemes. Each option gives the holder the right to subscribe for one share of par value HK$0.5 each of the Company. Further details are set out in note 25 to the financial statements.

		Number of share options					During the year Number of share options				Share price	
Category	Date of share options granted#	Held on 01.01.2007 ('000)	Granted during the year ('000)	Exercisable period of share options*	Total consideration paid for share options granted (HK$)	Price per share to be paid on exercise of share options (HK$)	Exercised ('000)	Lapsed ('000)	Cancelled ('000)	Number of share options held on 31.12.2007 ('000)	At share options grant date** (HK$)	At share options exercise date** (HK$)
Employees and other participants	06.02.2004***	4,820	—	06.05.2004 to 05.05.2009	10	1.582	1,820	—	—	3,000	0.155	2.130
	09.03.2006	6,350	—	09.06.2006 to 08.03.2016	1	1.660	—	1,500	—	4,850	1.610	—

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

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

** *The share prices disclosed as "At share options grant date" and "At share options exercise date" are the closing prices of the ordinary shares of the Company quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options and the date of exercise of the share options respectively.*

*** *For those options granted on 6 February 2004, the number of options outstanding and the exercise price were adjusted as a result of the consolidation of the ordinary shares of the Company that took effect on 19 December 2005.*

Note: *The underlying shares of the outstanding share options as at 31 December 2007 represent approximately 1.596% of the issued share capital of the Company.*

Arrangements to Acquire Shares or Debentures

Except for the share options held by the Directors, at no time during the year was the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

During the year, Mr. Zhao Leili, Director of the Company, was also a director of Guangdong Holdings Limited ("Guangdong Holdings") and GDH Limited ("GDH"). Messrs. Liang Jiang and Luo Fanyu, Directors of the Company, were also directors of GDH. GDH is a wholly-owned subsidiary of Guangdong Holdings. Guangdong Holdings and its subsidiaries other than the Group (the "Guangdong Holdings Group") have a wide range of business interests which include distribution of live and fresh foodstuffs, development of properties and leasing of properties. There may be some overlapping between the scope of the aforementioned business interests of the Guangdong Holdings Group and that of the Group. However, the Directors of the Company do not believe that there exist any direct or indirect competition in any material respect between the businesses of the Guangdong Holdings Group and those of the Group.

Directors' Service Contracts

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries that is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Details of the transactions disclosed in accordance with the Listing Rules are set out on pages 105 to 107.

Substantial Shareholders

As at 31 December 2007, so far as is known to any Directors or chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/Short position	Approximate percentage of interests held
廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") *(Note)*	536,380,868	Long position	59.23%
GDH Limited ("GDH")	536,380,868	Long position	59.23%

Note: The attributable interest which Guangdong Holdings has in the Company is held through its 100 per cent. direct interest in GDH.

Save as disclosed above, as at 31 December 2007, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of the SFO.

Contracts of Significance with Controlling Shareholders or Its Subsidiaries

In addition to the disclosures contained in the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" as set out on pages 105 to 107, the Company or its subsidiary had the following contracts of significance with GDH, the controlling shareholder of the Company, and its subsidiary.

On 25 March 2002, Zhongyue Industry Material Limited, a wholly owned subsidiary of the Company, entered into a loan agreement with Richway Resources Limited ("Richway"), a wholly owned subsidiary of GDH, for the provision by Richway of a loan in the amount of RMB50,000,000. The loan is unsecured, interest free and without fixed term of repayment. As at 31 December 2007, the loan has an outstanding balance of RMB25,000,000.

On 11 April 2007, the Company entered into a loan agreement with GDH pursuant to which GDH agreed to grant a loan to the extent of HK$200,000,000 to the Company upon normal commercial terms (or better), without security and will mature on 31 December 2008. As at 31 December 2007, the principal amount of the loan outstanding was HK$21,216,000. Further details are set out in note 24(b) to the financial statements.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Public Float

As at the date of this report, the Company has maintained the prescribed public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2007 have been reviewed by the Audit Committee of the Company.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. There was no change in auditors of the Company in any of the preceding three years.

By order of the Board

Liang Jiang
Chairman

Hong Kong, 16 April 2008

Corporate Governance Report

The Company and its subsidiaries (the "Group") recognizes the importance of achieving and monitoring the high standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with the objectives in mind that the Group has applied the principles on the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors of the Company (the "Directors"), the Company has met the code provisions set out in the CG Code in the financial year ended 31 December 2007 with the exception that certain Non-executive Directors are not appointed for specific terms as Non-executive Directors are subject to retirement by rotation and re-election at annual general meetings ("AGMs") in accordance with the Company's Articles of Association (the "Articles").

Directors' securities transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Director's 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 during the year 2007.

Board of Directors

As at 31 December 2007, the Board comprised three Executive Directors, being Messrs. Liang Jiang, Tan Yunbiao and Tsang Hon Nam, three Non-executive Directors, being Messrs. Zhao Leili and Luo Fanyu and Miss Hou Zhuobing, and three Independent Non-executive Directors, being Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. Mr. Dong Decai resigned as a Non-executive Director on 12 November 2007 and Mr. Li Li was appointed the Deputy Chairman and an Executive Director on 7 January 2008.

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

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. During the year ended 31 December 2007, the Board held five meetings.

Details of Directors' attendance at the Annual General Meeting ("AGM") and meetings of the Board, the Compensation Committee, the Nomination Committee and the Audit Committee held during the year ended 31 December 2007 are set out below:

	AGM	Board	Compensation Committee	Nomination Committee	Audit Committee
Executive Directors					
Liang Jiang	1/1	5/5	2/2	1/1	
Tan Yunbiao	1/1	5/5	2/2		
Tsang Hon Nam	1/1	5/5			
Non-executive Directors					
Zhao Leili	1/1	4/5			
Luo Fanyu	0/1	5/5			
Dong Decai*	0/1	4/4			
Hou Zhuobing	1/1	5/5			
Independent Non-executive Directors					
Gerard Joseph McMahon	1/1	5/5	2/2	1/1	6/6
Tam Wai Chu, Maria	0/1	5/5	2/2	1/1	6/6
Li Kar Keung, Caspar	1/1	5/5	2/2	1/1	6/6

* Mr. Dong Decai resigned as a Non-executive Director on 12 November 2007.

The Company has received confirmation of independence from the three Independent Non-executive Directors, namely Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar in accordance with Rule 3.13 of the Listing Rules. The Board and the Nomination Committee have assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

The Board members do not have any financial, business, family or other material/relevant relationships with each other. The balanced board composition also ensures that strong independence exists across the Board. The biographies of the Directors are set out on pages 10 and 11 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

Chairman and General Manager

The Chairman is Mr. Liang Jiang and the General Manager is Mr. Tan Yunbiao. Their roles are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Liang as the Chairman has executive responsibilities, provides leadership to the Board and ensures the proper and effective functioning of the Board in the discharge of its responsibilities. Mr. Tan Yunbiao as the General Manager is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of overall business operations.

Non-executive Directors

Prior to enforcement of the CG Code on 1 January 2005, the Non-executive Directors were not appointed for specific terms but they are subject to retirement by rotation and re-election at the AGMs of the Company in accordance with the Articles. The Non-executive Directors who were re-elected in the 2005 AGM hold office for a term of approximately three years until they become due to retire by rotation in accordance with the Articles. In the 2006 AGM, the Company has approved the amendment of the Articles to so that the Non-executive Directors will be subject to retirement by rotation at least once in every three years.

Remuneration of Directors

The Company established a compensation committee (the "Compensation Committee") in 1999. The authority and duties of the Remuneration Committee are as follows:

Authority

1. The Compensation Committee is authorized by the Board to seek any information it requires from any officer or employee of the Company and all officers and employees are directed to co-operate with any request made by the Compensation Committee.

2. The Compensation Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers it necessary and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this to be necessary.

Duties

1. The Compensation Committee should consult the Chairman and/or General Manager about their proposals relating to the remuneration of other Executive Directors and have access to professional advice if it considers this to be necessary.

2. To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

3. To have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive Directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

4. To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

5. To review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

6. To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

7. To make recommendations to the Board concerning officer and/or employee share option or incentive schemes or the like, or other forms of profit-sharing arrangements of the Group which might be devised to reward management or other employees over and above normal salary and bonuses.

8. Supervising the policy relating to, and the management and care of the Company's retirement or provident funds.

9. To ensure that no Director or any of his associates is involved in deciding his own remuneration.

10. To report to the Board on the matters set out in the terms of reference of the Compensation Committee and report to the Board on their work (including their decisions and recommendations) from time to time as appropriate and in any event not less than once every year.

The Compensation Committee comprises the Chairman, Mr. Liang Jiang, Executive Director and General Manager, Mr. Tan Yunbiao, and the three Independent Non-executive Directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. Mr. Li Kar Keung, Caspar is the chairman of the Compensation Committee.

The Compensation Committee shall meet at least twice a year. During the year ended 31 December 2007, the Compensation Committee held two meetings to review the annual remuneration package and performance bonuses for the Executive Directors and the Management of the Company.

Details of the Directors' remuneration are set out in note 8 to the financial statements.

Nomination of Directors

The Company established a nomination committee (the "Nomination Committee") in 2005. The Nomination Committee is responsible for identifying suitable and qualified individuals to become board member and make recommendation on appointment and reappointment of Directors. The Board is responsible for the considering and approving the appointment of Directors with a view to appoint to the Board suitable individuals with the relevant expertise and experience to enhance the constitution of a strong and diverse Board and to contribute to the functioning of the Board through their continuous participation.

The authority and duties of the Nomination Committee are as follows:

Authority

1. The Nomination Committee is authorized by the Board to seek any information it requires from any officer or employee of the Company and all officers and employees are directed to co-operate with any request made by the Nomination Committee.

2. The Nomination Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers it necessary and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this to be necessary.

Duties

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes.

2. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships.

3. To assess the independence of Independent Non-executive Directors, having regard to the requirements under the Listing Rules.

4. To make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors in particular the Chairman and the General Manager.

5. To report to the Board on the matters set out in the terms of reference of the Nomination Committee and report to the Board on their work (including their decisions and recommendations) from time to time as appropriate and in any event not less than once every year.

The Nomination Committee comprises the Chairman, Mr. Liang Jiang, and the three Independent Non-executive Directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. Mr. Liang Jiang is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2007, the Nomination Committee met once to review the structure, size and composition of the Board and to consider, nominate and recommend suitable candidates for appointment and reappointment of directors.

Auditors' remuneration

The remuneration of the Company's auditors, Messrs. KPMG, for services rendered in respect of the year ended 31 December 2007 is set out as follows:

Services rendered	Fee HK$'000
Audit of final results	2,180
Review of interim results	580
Review of continuing connected transactions	122
Review of working capital forecast, indebtedness statement and unaudited pro forma financial information	302
	3,184

Audit committee

The audit committee (the "Audit Committee") of the Company was established in 1999. The authority and duties of the Audit Committee are as follows:

Authority

1. The Audit Committee is authorized by the Board to seek any information it requires from any officer or employee of the Company and all officers and employees are directed to co-operate with any request made by the Audit Committee.

2. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers it necessary and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this to be necessary.

Duties

1. To be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor.

2. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

3. To develop and implement policy on the engagement of an external auditor to supply non audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

4. To monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:

   (a) Any changes in accounting policies and practices;

   (b) Major judgmental areas;

   (c) Significant adjustments resulting from audit;

   (d) The going concern assumptions and any qualifications;

   (e) Compliance with accounting standards; and

   (f) Compliance with the Listing Rules and other legal requirements in relation to financial reporting.

5. In regard to 4 above:

    (a) Members of the Audit Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least once a year, with the Company's auditors; and

    (b) The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the issuer's qualified accountant, compliance officer or auditors.

6. To review the Group's financial controls, internal control and risk management systems.

7. To discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system.

8. To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

9. Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.

10. To review the Group's financial and accounting policies and practices.

11. To review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.

12. To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

13. To report to the Board on the matters set out in the provision herein.

14. To report to the Board on the matters set out in the terms of reference of the Audit Committee and report to the Board on their work (including their decisions and recommendations) from time to time as appropriate.

15. To consider other topics as defined by the Board.

The Audit Committee comprises the three Independent Non-executive Directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. Mr. Gerard Joseph McMahon is the chairman of the Audit Committee.

The Audit Committee shall meet at least four times a year. During the year ended 31 December 2007, the Audit Committee held six meetings, inter alia, to review the 2006 annual results and the 2007 interim results of the Group. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Group's financial results. It also focuses on the Group's systems of internal control. During the year ended 31 December 2007, the Audit Committee met the external auditors twice without the presence of the management to discuss any areas of concerns.

Accountability and audit

The Directors have acknowledged that they are responsible for overseeing the preparation of financial statements, which give a true and fair view of the state of affairs of the Group and of the results and cash flows in the relevant year. The responsibilities of the external auditors to the shareholders are set out in the Independent Auditor's Report on pages 30 and 31. In preparing the financial statements for the year ended 31 December 2007, the Directors have selected appropriate accounting policies, applied them consistently in accordance with the accounting principles generally accepted in Hong Kong which are pertinent to its operations and relevant to the financial statements and, made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Company aims at presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects in all communications issued to shareholders, including annual and interim reports, announcements and circulars. The annual and interim results of the Company are announced in a timely manner within 4 months and 3 months respectively after the end of the relevant periods.

Internal controls

The Board is committed to establish and maintain a sound and effective internal control system of the Group to protect the shareholders' investment and to safeguard the Group's assets and to achieve corporate objectives. Key components of internal controls of the Group are set out below:

1. A defined organizational structure, with specified limits of authority and lines of responsibility, has been established.

2. Established operating policies and procedures.

3. Delegation of authority — The Directors and/or Management are delegated with respective level of authority relating to certain businesses or operational objectives. Committees (e.g. Audit, Compensation and Nomination), of which their decision-making authority is delegated by the Board, are established where necessary to review, approve and monitor particular aspect of operation of the Group.

4. Budgetary system — (i) Business plan and forecasts are prepared annually and subject to monthly review and approval by the Management. With annual budget and monthly rolling forecast, the Management could identify and evaluate the likelihood of the financial impact of significant business risks in the coming year and achieve the business objectives; (ii) Budgetary system in relation to monthly recurrent and major capital expenditure is in place. Any material variances against budgets are investigated, explained and approved by the respective financial controller.

5. Internal Audit Department — In order to further enhance the internal control of the Group, an internal audit department was established. The internal auditor could access unrestrictedly to review all aspects of the Group's activities and internal controls. Any serious internal control deficiencies or fraud identified would be reported immediately to the Directors or directly to the Audit Committee.

6. Quarterly review by Audit Committee and the Board — The Directors review major business and operational activities and financial performance of the Group at least on a quarterly basis.

7. Comprehensive accounting system — A reliable and comprehensive accounting system is in place for the recording of financial information of the Group.

8. Monthly review by the Management — Key operating and financial performance of each business segment are reviewed by the Management on monthly basis. Regular meetings are held to review the business and financial performance against forecast and business strategies to be taken.

During the year ended 31 December 2007, review on the effectiveness and efficiency of material financial, operational and compliance controls and risk management procedures of the Group was made by the Board and the Audit Committee. The Board is generally satisfied with the effectiveness and adequacy of the existing internal control system of the Group. The Board acknowledges the importance of good corporate governance and will continue its efforts on enhancing the Group's internal controls to support further growth of the Group.

Internal control system of the Group is designed to provide reasonable (rather than absolute) assurance against unauthorized use or disposition. It could only manage, rather than eliminate, all risks of material misstatement, errors, loss or fraud.

Independent Auditor's Report

Independent auditor's report to the shareholders of Guangnan (Holdings) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Guangnan (Holdings) Limited (the "Company") set out on pages 32 to 104, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

16 April 2008

Consolidated Income Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Turnover	3, 13	1,593,460	1,221,254
Cost of sales		(1,415,997)	(1,057,781)
Gross profit		177,463	163,473
Other revenue	4	12,529	9,906
Other net income	4	12,623	14,327
Distribution costs		(29,836)	(19,914)
Administrative expenses		(59,812)	(47,056)
Other operating expenses		(3,083)	(9,942)
Profit from operations		109,884	110,794
Non-operating income	5	40,021	—
Valuation gains on investment properties		16,075	23,123
Finance costs	6(a)	(11,927)	(2,906)
Share of profits less losses of associates		20,390	19,259
Profit before taxation	6	174,443	150,270
Income tax	7(a)	7,435	(23,476)
Profit for the year		181,878	126,794
Attributable to:			
Equity shareholders of the Company	26(a)	183,809	121,320
Minority interests	26(a)	(1,931)	5,474
Profit for the year		181,878	126,794
Dividends payable to equity shareholders of the Company attributable to the year:	11		
Interim dividend declared during the year		18,108	13,524
Final dividend proposed after the balance sheet date		18,112	18,032
		36,220	31,556
Earnings per share	12		
Basic		20.3 cents	13.5 cents
Diluted		20.3 cents	13.5 cents

The notes on pages 39 to 104 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets			
— Investment properties		264,224	235,651
— Other property, plant and equipment		858,560	512,275
— Interest in leasehold land held for own use under operating leases		107,100	57,855
	14(a)	1,229,884	805,781
Interest in associates	16	199,010	182,434
		1,428,894	988,215
Current assets			
Trading securities	18	6,399	3,153
Inventories	20	321,343	115,478
Trade and other receivables, deposits and prepayments	21	453,488	274,706
Current taxation recoverable	19(a)	456	320
Cash and cash equivalents	22	147,009	157,737
		928,695	551,394
Current liabilities			
Trade and other payables	23	401,731	306,377
Bank loans	24(a)	423,336	81,557
Loan from immediate holding company	24(b)	21,216	—
Current taxation payable	19(a)	19,934	19,077
		866,217	407,011
Net current assets		62,478	144,383
Total assets less current liabilities		1,491,372	1,132,598
Non-current liabilities			
Bank loans	24(a)	80,092	—
Deferred tax liabilities	19(b)	22,033	21,687
		102,125	21,687
NET ASSETS		1,389,247	1,110,911

Consolidated Balance Sheet

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
CAPITAL AND RESERVES			
Share capital	26(c)	452,802	450,792
Reserves		848,702	622,477
Total equity attributable to equity shareholders of the Company		1,301,504	1,073,269
Minority interests		87,743	37,642
TOTAL EQUITY	26(a)	1,389,247	1,110,911

Approved and authorised for issue by the board of directors on 16 April 2008.

Tan Yunbiao
Director

Tsang Hon Nam
Director

The notes on pages 39 to 104 form part of these financial statements.

Balance Sheet

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets			
— Investment properties		103,800	98,200
— Other property, plant and equipment		800	957
	14(b)	104,600	99,157
Interest in subsidiaries	15	481,250	381,693
Interest in associates	16	169,258	169,258
		755,108	650,108
Current assets			
Trading securities	18	6,399	3,153
Trade and other receivables, deposits and prepayments	21	378	1,018
Cash and cash equivalents	22	1,665	10,747
		8,442	14,918
Current liabilities			
Trade and other payables	23	42,356	11,344
Loan from immediate holding company	24(b)	21,216	—
		63,572	11,344
Net current (liabilities)/assets		(55,130)	3,574
NET ASSETS		699,978	653,682
CAPITAL AND RESERVES			
Share capital	26(c)	452,802	450,792
Reserves		247,176	202,890
TOTAL EQUITY	26(b)	699,978	653,682

Approved and authorised for issue by the board of directors on 16 April 2008.

Tan Yunbiao
Director

Tsang Hon Nam
Director

The notes on pages 39 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Total equity at 1 January			
Attributable to equity shareholders of the Company	26(a)	1,073,269	949,882
Minority interests	26(a)	37,642	29,334
		1,110,911	979,216
Net income recognised directly in equity:			
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	26(a)	78,063	26,634
Profit for the year	26(a)	181,878	126,794
Total recognised income and expenses for the year		259,941	153,428
Attributable to:			
Equity shareholders of the Company		258,040	147,009
Minority interests		1,901	6,419
		259,941	153,428
Dividends declared to minority shareholders	26(a)	—	(1,421)
Dividends declared during the year	26(a)	(36,180)	(27,048)
Capital contributions by minority shareholders	26(a)	85,842	3,310
Acquisition of minority interests	26(a)	(37,642)	—
Movements in equity arising from capital transactions:			
Equity-settled share-based transactions	26(a)	6,375	3,426
Total equity at 31 December		1,389,247	1,110,911

The notes on pages 39 to 104 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2007 $'000	2006 $'000	2006 $'000
Operating activities					
Profit before taxation		174,443		150,270	
Adjustments for:					
— Finance costs		11,927		2,906	
— Interest income		(3,052)		(3,359)	
— Dividends from listed securities		(259)		(235)	
— Net realised and unrealised gain on trading securities		(3,246)		(94)	
— Valuation gains on investment properties		(16,075)		(23,123)	
— Impairment losses on other non-current financial assets		—		46	
— Net gain on disposal of fixed assets		(156)		(512)	
— Write-back of long-outstanding payables	27	—		(4,198)	
— Write-back of impairment losses on trade receivables		(90)		(2,013)	
— Impairment losses on trade receivables		49		—	
— Depreciation		41,667		16,681	
— Amortisation of land lease premium		2,517		1,778	
— Share of profits less losses of associates		(20,390)		(19,259)	
— Foreign exchange gain		(1,754)		(2,135)	
— Impairment loss on fixed assets		—		5,498	
— Gain on acquisition of minority interests		(40,021)		—	
— Net loss on forward foreign exchange contracts		332		—	
— Equity-settled share-based payment expenses		—		3,426	
Operating profit before changes in working capital		145,892		125,677	
(Increase)/decrease in inventories		(189,714)		129,159	
Increase in trade and other receivables, deposits and prepayments		(170,930)		(22,035)	
Increase in amounts due from a related company		(7,791)		—	
Decrease in amounts due from fellow subsidiaries		—		156	
Increase in amounts due from associate		—		(58)	
(Decrease)/increase in trade and other payables		(20,398)		15,442	
Increase in amounts due to a related company		130,352		—	
(Decrease)/increase in amounts due to holding companies and fellow subsidiaries		(48)		48	
Cash (used in)/generated from operations carried forward		(112,637)		248,389	

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2007 $'000	2006 $'000	2006 $'000
Cash (used in)/generated from operations brought forward		(112,637)		248,389	
Interest received		3,052		3,359	
Interest paid		(11,927)		(2,906)	
Hong Kong Profits Tax paid		(324)		(1,281)	
PRC income tax refunded		18,194		—	
PRC income tax paid		(10,900)		(14,194)	
Net cash (used in)/generated from operating activities			(114,542)		233,367
Investing activities					
Payment for purchase of fixed assets		(417,422)		(225,768)	
Payment for acquisition of minority interests		(3,890)		—	
Dividends received from listed securities		259		235	
Dividends received from associate		16,907		18,965	
Proceeds on disposal of fixed assets		7,651		6,387	
Net cash used in investing activities			(396,495)		(200,181)
Financing activities					
Dividends paid		(36,180)		(27,048)	
Proceeds from bank loans		332,390		—	
Proceeds from loan from immediate holding company		21,216		—	
Proceeds from banks on discounted bills		645,437		509,002	
Repayment of proceeds from banks on discounted bills		(558,006)		(455,391)	
Proceeds from shares issued under share option schemes		6,375		—	
Capital contributions by minority shareholders		85,842		—	
Increase in pledged bank balances		(55,900)		—	
Net cash generated from financing activities			441,174		26,563
(Decrease)/increase in cash and cash equivalents			(69,863)		59,749
Cash and cash equivalents at 1 January			157,737		96,871
Effect of foreign exchange rate changes			3,235		1,117
Cash and cash equivalents at 31 December	22		91,109		157,737

The notes on pages 39 to 104 form part of these financial statements.

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below.

— investment properties (see note 1(g));

— financial instruments classified as trading securities (see note 1(e)); and

— derivative financial instruments (see note 1(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

1. Significant accounting policies (Continued)

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(m) or 1(n) depending on the nature of the liability.

Gains or losses arising from the change in ownership interest in a subsidiary are determined as the difference between the carrying value of the minority interest attributable to the change and the net proceeds and are recognised in profit or loss.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(ii)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year.

1. Significant accounting policies (Continued)

(d) Associates (Continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(j)(ii)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iv) and (v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)(i)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

1. Significant accounting policies (Continued)

(g) Investment properties (Continued)

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

Property that is being constructed or developed for future use as investment property is classified as fixed assets and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(h) Other property, plant and equipment

The following items of fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)(ii));

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(i)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalization of these costs ceases and the construction in progress is transferred to the relevant categories of fixed assets when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified below.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1. Significant accounting policies (Continued)

(h) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
— Leasehold improvements	20% to 50% per annum
— Plant and machinery, furniture, fixtures and equipment	10% to 20% per annum
— Motor vehicles	20% per annum

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note 1(g)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)).

1. Significant accounting policies (Continued)

(j) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables, deposits and prepayments

Investments in equity securities (other than investments in subsidiaries and associates: see note 1(j)(ii)) and trade and other current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other receivables, deposits and prepayments and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and trade and other receivables, deposits and prepayments (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, deposits and prepayments, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amount previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— other property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses
An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1. Significant accounting policies (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Further information on the Group's contribution to retirement benefit schemes is set out in note 31.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

1. Significant accounting policies (Continued)

(q) Income tax (Continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividend is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

1. Significant accounting policies (Continued)

(q) Income tax (Continued)

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Commission income

Commission income is recognised when the relevant services are rendered.

1. Significant accounting policies (Continued)

(s) Revenue recognition (Continued)

(iv) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

1. Significant accounting policies (Continued)

(v) Related parties (Continued)

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments*: Disclosures and the amendment to HKAS 1, *Presentation of financial statements*: *Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments*: *Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 28.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosure are set out in note 26(g).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

3. Turnover

The principal activities of the Group are manufacturing and trading of tinplate, property leasing, foodstuffs distribution and trading during the year.

Turnover represents the sales value of goods, commission income earned from foodstuffs distribution and trading and rental income from investment properties received under operating leases, after eliminating intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007 $'000	2006 $'000
Sales of goods		
— Tinplating	1,450,125	1,108,939
— Foodstuffs distribution and trading	99,442	73,843
	1,549,567	1,182,782
Commission income from foodstuffs distribution and trading	17,715	13,015
Property leasing	26,178	25,457
	1,593,460	1,221,254

4. Other revenue and net income

	2007 $'000	2006 $'000
Other revenue		
Sales of scrap materials	6,217	2,500
Interest income	3,052	3,359
Management income	199	228
Dividends from listed securities	259	235
Subsidies received	770	1,033
Others	2,032	2,551
	12,529	9,906
Other net income		
Net gain on disposal of fixed assets	156	512
Net realised and unrealised gain on trading securities	3,246	94
Write-back of impairment losses on trade receivables	90	2,013
Write-back of long-outstanding payables	—	4,198
Impairment losses on other non-current financial assets	—	(46)
Net loss on forward foreign exchange contracts	(332)	—
Net realised and unrealised exchange gain	9,463	7,556
	12,623	14,327

5. Non-operating income

	2007 $'000	2006 $'000
Gain on acquisition of minority interests in subsidiaries and dividends payable to the related minority shareholder	40,021	—

During the year, the Group acquired from the minority shareholder the 5% equity interest in each of Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongshan Shan Hai Industrial Co., Ltd. ("Shanhai") together with the dividends payable by Zhongyue Tinplate and Shanhai to the minority shareholder for a total consideration of US$499,000 (equivalent to $3,890,000). Following the acquisition, Zhongyue Tinplate and Shanhai became wholly-owned subsidiaries of the Group. The gain represents the excess of the consideration paid over the carrying value of the minority interests acquired and dividends payable transferred to the Group. Both the Group and the minority shareholder are state-controlled entities in the People's Republic of China ("PRC").

6. Profit before taxation

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

		2007 $'000	2006 $'000
(a)	Finance costs:		
	Interest on bank advances and other borrowings repayable within 5 years	12,464	2,906
	Interest on loan from immediate holding company	520	—
		12,984	2,906
	Less: interest expenses capitalised into construction in progress*	(1,057)	—
		11,927	2,906

* The amount represents interest expenses paid for a bank loan borrowed by a subsidiary of the Group specifically for the purpose of the construction of fixed assets.

		2007 $'000	2006 $'000
(b)	Staff costs:		
	Net contributions paid to defined contribution plans	3,279	1,341
	Equity-settled share-based payment expenses	—	3,426
	Salaries, wages and other benefits	53,916	38,939
		57,195	43,706
(c)	Other items:		
	Cost of inventories sold (note)	1,412,982	1,051,265
	Auditors' remuneration	3,218	2,293
	Depreciation	41,667	16,681
	Amortisation of land lease premium	2,517	1,778
	Impairment losses on fixed assets and inventories	104	9,346
	Impairment losses on trade receivables	49	—
	Operating lease charges in respect of property rentals	1,538	939
	Rentals receivable from investment properties less direct outgoings of $2,444,000 (2006: $2,190,000)	(23,734)	(23,267)

Note: Cost of inventories includes $48,676,000 (2006: $24,880,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	Note	2007 $'000	2006 $'000
Current tax — Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 17.5% (2006: 17.5%) on the estimated assessable profits for the year		86	650
Under-provision in respect of prior years		102	9
		188	659
Current tax — the PRC			
Tax for the year		11,757	13,941
Under-provision in respect of prior years		—	30
Tax refund for re-investment	(ii)	(18,194)	—
		(6,437)	13,971
Deferred tax			
Origination and reversal of temporary differences		4,234	8,846
Effect of change in tax rate in the PRC	(iii)	(5,420)	—
		(1,186)	8,846
		(7,435)	23,476

Notes:

(i) The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Income tax for subsidiaries established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

A subsidiary, Zhongyue Tinplate, is 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 on its new production line beginning from 2006. According to the approval from the Tax Bureau of Zhongshan, the proportion of deemed profit from Zhongyue Tinplate's new production line is calculated based on the 40% of the overall taxable income of Zhongyue Tinplate. As a result, the effective tax rate of Zhongyue Tinplate for 2007 is 10.8% (2006: 10.8%).

(ii) The Group has successfully obtained a tax refund of PRC Enterprise Income Tax from the Tax Bureau of Zhongshan following the capitalisation of retained earnings of a subsidiary and the re-investment of dividends declared by two subsidiaries as capital contributions to other subsidiaries during the year.

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

(a) (Continued)

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for certain PRC subsidiaries of the Group, which are eligible to relief from PRC Enterprise Income Tax, will be gradually changed to the standard rate of 25% over a five-year transition period.

The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 31 December 2007. As a result of the change of applicable tax rates, the net change in balance of deferred tax of $5,420,000 has been credited to profit or loss. The enactment of the new tax law has no financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

(iv) According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Dividends declared by the PRC subsidiaries to parent companies 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 subsidiaries up to 31 December 2007 will be exempted from withholding tax when they are distributed in future. As a result, no provision for withholding tax is made as at 31 December 2007.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 $'000	2006 $'000
Profit before tax	174,443	150,270
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	28,123	26,799
Tax effect of non-deductible expenses	4,300	4,203
Tax effect of non-taxable revenue	(11,140)	(7,785)
Tax effect of current year's tax losses not recognised	1,996	2,245
Tax effect of utilisation of previous years' unrecognised tax losses	(5,849)	(2,025)
Tax refund for re-investment	(18,194)	—
Under-provision in respect of prior years	102	39
Effect of change in tax rate on the deferred tax balances	(6,773)	—
Actual tax (credit)/expense	(7,435)	23,476

8. Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Retirement schemes contributions $'000	Bonus $'000	Sub-total $'000	Share-based payments $'000 (Note)	2007 Total $'000
Executive directors							
Liang Jiang	—	461	224	600	1,285	—	1,285
Tan Yunbiao	—	350	193	350	893	—	893
Tsang Hon Nam	—	1,030	30	140	1,200	—	1,200
Non-executive directors							
Zhao Leili	—	—	—	—	—	—	—
Luo Fanyu	—	—	—	—	—	—	—
Dong Decai (resigned on 12 November 2007)	—	—	—	—	—	—	—
Hou Zhuobing	—	—	—	—	—	—	—
Independent non-executive directors							
Gerard Joseph McMahon	—	300	—	—	300	—	300
Tam Wai Chu, Maria	—	300	—	—	300	—	300
Li Ka Keung, Caspar	—	300	—	—	300	—	300
Total	—	2,741	447	1,090	4,278	—	4,278

	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Retirement schemes contributions $'000	Bonus $'000	Sub-total $'000	Share-based payments $'000 (Note)	2006 Total $'000
Executive directors							
Liang Jiang	—	421	260	480	1,161	582	1,743
Tan Yunbiao	—	340	259	1,294	1,893	582	2,475
Tsang Hon Nam	—	941	30	543	1,514	87	1,601
Non-executive directors							
Zhao Leili	—	—	—	—	—	58	58
Luo Fanyu	—	—	—	—	—	58	58
Liang Jianqin (resigned on 8 August 2006)	—	—	—	—	—	58	58
Dong Decai	—	—	—	—	—	—	—
Hou Zhuobing	—	—	—	—	—	—	—
Independent non-executive directors							
Gerard Joseph McMahon	—	300	—	—	300	58	358
Tam Wai Chu, Maria	—	300	—	—	300	58	358
Li Ka Keung, Caspar	—	300	—	—	300	58	358
Total	—	2,602	549	2,317	5,468	1,599	7,067

8. Directors' remuneration (Continued)

Note: These represent the estimated value of share options granted to the directors under the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii).

The details of these benefits in kind, including the principal terms and number of share options granted, are disclosed under the paragraph "Share option schemes of the Company" in the directors' report and note 25.

9. Individuals with highest emoluments

Of the five individuals with highest emoluments, three (2006: two) directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2006: three) individuals are as follows:

	2007 $'000	2006 $'000
Basic salaries, allowances and other benefits	692	1,010
Retirement schemes contributions	156	448
Share-based payments	—	1,305
Bonus	1,556	2,743
	2,404	5,506

The emoluments of the two (2006: three) individuals with the highest emoluments are within the following bands:

	2007 Number of individuals	2006 Number of individuals
$		
Nil–1,000,000	1	—
1,000,001–1,500,000	1	—
1,500,001–2,000,000	—	3

10. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $28,415,000 (2006: $19,769,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2007 $'000	2006 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	28,415	19,769
Write-back of impairment losses on interest in subsidiaries	30,779	—
Final dividends from an associate attributable to the profits of the previous financial year, approved and paid during the year	16,907	—
Company's profit for the year (note 26(b))	76,101	19,769

11. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2007 $'000	2006 $'000
Interim dividend declared and paid of 2.0 cents per ordinary share (2006: 1.5 cents per ordinary share)	18,108	13,524
Final dividend proposed after the balance sheet date of 2.0 cents per ordinary share (2006: 2.0 cents per ordinary share)	18,112	18,032
	36,220	31,556

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

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

	2007 $'000	2006 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.0 cents per ordinary share (2006: 1.5 cents per ordinary share)	18,072	13,524

12. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $183,809,000 (2006: $121,320,000) and the weighted average of 904,079,000 (2006: 901,583,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007 '000	2006 '000
Issued ordinary shares at 1 January	901,583	901,583
Effect of share options exercised (notes 25 and 26(d))	2,496	—
Weighted average number of ordinary shares at 31 December	904,079	901,583

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to ordinary equity shareholders of the Company of $183,809,000 and the weighted average number of ordinary shares of 906,448,000, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007 '000
Weighted average number of ordinary shares at 31 December	904,079
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (note 25)	2,369
Weighted average number of ordinary shares (diluted) at 31 December	906,448

The diluted earnings per share for the year ended 31 December 2006 was the same as the basic earnings per share as the potential ordinary shares were anti-dilutive.

13. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Tinplating	:	Production and sales of tinplate and related products which are used as packaging materials for the food processing manufacturers
Foodstuffs distribution and trading	:	Distribution, purchase and sale of foodstuffs
Property leasing	:	Leasing of properties to generate rental income

	For the year ended 31 December 2007					
	Tinplating $'000	Foodstuffs distribution and trading $'000	Property leasing $'000	Inter-segment elimination $'000	Unallocated $'000	Consolidated $'000
Revenue from external customers	1,450,125	117,157	26,178	—	—	1,593,460
Inter-segment revenue	—	—	216	(216)	—	—
Other revenue from external customers	8,501	1,217	46	—	15,129	24,893
Total	1,458,626	118,374	26,440	(216)	15,129	1,618,353
Segment result	76,449	21,213	16,764			114,426
Unallocated operating income and expenses						(4,542)
Profit from operations						109,884
Non-operating income						40,021
Share of profits less losses of associates	—	—	—	—	20,390	20,390
Valuation gains on investment properties	—	—	16,075	—	—	16,075
Finance costs						(11,927)
Income tax						7,435
Profit after taxation						181,878
Depreciation and amortisation for the year	42,183	88	1,677			
Impairment losses made for the year	—	104	49			

13. Segment reporting (Continued)

Business segments (Continued)

	For the year ended 31 December 2006					
	Tinplating $'000	Foodstuffs distribution and trading $'000	Property leasing $'000	Inter-segment elimination $'000	Unallocated $'000	Consolidated $'000
Revenue from external customers	1,108,939	86,858	25,457	—	—	1,221,254
Inter-segment revenue	1,991	—	169	(2,160)	—	—
Other revenue from external customers	4,463	1,812	28	—	17,695	23,998
Total	1,115,393	88,670	25,654	(2,160)	17,695	1,245,252
Segment result	81,797	16,648	16,662			115,107
Unallocated operating income and expenses						(4,313)
Profit from operations						110,794
Share of profits less losses of associates	—	—	—	—	19,259	19,259
Valuation gains on investment properties	—	—	23,123	—	—	23,123
Finance costs						(2,906)
Income tax						(23,476)
Profit after taxation						126,794
Depreciation and amortisation for the year	16,469	104	1,605			
Impairment losses made/(written-back) for the year	9,346	(1,185)	—			

13. Segment reporting (Continued)

Business segments (Continued)

	2007 Tinplating $'000	2007 Foodstuffs distribution and trading $'000	2007 Property leasing $'000	2007 Consolidated $'000
Segment assets	1,788,919	63,029	296,760	2,148,708
Interest in associates				199,010
Unallocated assets				9,871
Total assets				2,357,589
Segment liabilities	318,442	51,184	6,415	376,041
Unallocated liabilities				592,301
Total liabilities				968,342
Capital expenditure incurred during the year	412,832	991	1,473	

	2006 Tinplating $'000	2006 Foodstuffs distribution and trading $'000	2006 Property leasing $'000	2006 Consolidated $'000
Segment assets	1,017,617	59,892	263,986	1,341,495
Interest in associates				182,434
Unallocated assets				15,680
Total assets				1,539,609
Segment liabilities	230,068	40,539	5,749	276,356
Unallocated liabilities				152,342
Total liabilities				428,698
Capital expenditure incurred during the year	366,576	186	2,212	

13. Segment reporting (Continued)

Geographical segments

The Group's business participates in two principal economic environments. Hong Kong is the major market for foodstuffs distribution and trading, whereas the PRC (other than Hong Kong) is a major market for most of the Group's other businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007		
	The PRC $'000	Hong Kong $'000	Other countries $'000
Revenue from external customers	1,344,659	119,826	128,975
Segment assets	1,974,489	174,219	—
Capital expenditure incurred during the year	414,437	859	—

	2006		
	The PRC $'000	Hong Kong $'000	Other countries $'000
Revenue from external customers	1,132,337	88,917	—
Segment assets	1,172,526	168,969	—
Capital expenditure incurred during the year	368,782	192	—

14. Fixed assets

(a) The Group

	Buildings held for own use $'000	Leasehold improve-ments $'000	Construction in progress $'000	Plant and machinery, furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Interest in leasehold land held for own use under operating leases $'000	Total $'000
Cost or valuation:									
At 1 January 2007	95,100	1,918	368,296	160,604	3,166	629,084	235,651	68,244	932,979
Exchange adjustments	4,826	—	26,825	10,535	142	42,328	11,025	1,180	54,533
Additions	955	—	349,769	6,910	5,099	362,733	1,473	51,169	415,375
Disposals	—	—	—	(66,304)	(887)	(67,191)	—	—	(67,191)
Transfer in from construction in progress	221,536	—	(466,575)	245,039	—	—	—	—	—
Fair value adjustment	—	—	—	—	—	—	16,075	—	16,075
At 31 December 2007	322,417	1,918	278,315	356,784	7,520	966,954	264,224	120,593	1,351,771
Representing:									
Cost	322,417	1,918	278,315	356,784	7,520	966,954	—	120,593	1,087,547
Valuation — 2007	—	—	—	—	—	—	264,224	—	264,224
	322,417	1,918	278,315	356,784	7,520	966,954	264,224	120,593	1,351,771
Accumulated depreciation:									
At 1 January 2007	34,049	1,865	—	79.738	1,157	116,809	—	10,389	127,198
Exchange adjustments	2,853	—	—	6.711	64	9,628	—	587	10,215
Charge for the year	10,750	19	—	26,824	4,074	41,667	—	2,517	44,184
Written back on disposal	—	—	—	(58,912)	(798)	(59,710)	—	—	(59,710)
At 31 December 2007	47,652	1,884	—	54,361	4,497	108,394	—	13,493	121,887
Net book value:									
At 31 December 2007	274,765	34	278,315	302,423	3,023	858,560	264,224	107,100	1,229,884

14. Fixed assets (Continued)

(a) The Group (Continued)

	Buildings held for own use $'000	Leasehold improve-ments $'000	Construction in progress $'000	Plant and machinery, furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Interest in leasehold land held for own use under operating leases $'000	Total $'000
Cost or valuation:									
At 1 January 2006	91,941	1,918	4,177	172,094	2,702	272,832	207,496	67,689	548,017
Exchange adjustments	2,672	—	157	11,356	153	14,338	4,642	555	19,535
Additions	487	—	364,525	2,826	1,149	368,987	390	—	369,377
Disposals	—	—	—	(26,235)	(838)	(27,073)	—	—	(27,073)
Transfer in from construction in progress	—	—	(563)	563	—	—	—	—	—
Fair value adjustment	—	—	—	—	—	—	23,123	—	23,123
At 31 December 2006	95,100	1,918	368,296	160,604	3,166	629,084	235,651	68,244	932,979
Representing:									
Cost	95,100	1,918	368,296	160,604	3,166	629,084	—	68,244	697,328
Valuation — 2006	—	—	—	—	—	—	235,651	—	235,651
	95,100	1,918	368,296	160,604	3,166	629,084	235,651	68,244	932,979
Accumulated depreciation:									
At 1 January 2006	24,504	1,846	—	77,523	1,379	105,252	—	8,359	113,611
Exchange adjustments	1,537	—	—	8,911	128	10,576	—	252	10,828
Charge for the year	8,008	19	—	8,325	329	16,681	—	1,778	18,459
Written back on disposal	—	—	—	(20,519)	(679)	(21,198)	—	—	(21,198)
Impairment losses	—	—	—	5,498	—	5,498	—	—	5,498
At 31 December 2006	34,049	1,865	—	79,738	1,157	116,809	—	10,389	127,198
Net book value:									
At 31 December 2006	61,051	53	368,296	80,866	2,009	512,275	235,651	57,855	805,781

14. Fixed assets (Continued)

(b) The Company

	Leasehold improvements $'000	Plant and machinery, furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:						
At 1 January 2007	1,385	2,431	1,220	5,036	98,200	103,236
Additions	—	79	—	79	—	79
Disposals	—	(10)	—	(10)	—	(10)
Fair value adjustment	—	—	—	—	5,600	5,600
At 31 December 2007	1,385	2,500	1,220	5,105	103,800	108,905
Representing:						
Cost	1,385	2,500	1,220	5,105	—	5,105
Valuation — 2007	—	—	—	—	103,800	103,800
	1,385	2,500	1,220	5,105	103,800	108,905
Accumulated depreciation:						
At 1 January 2007	1,332	1,819	928	4,079	—	4,079
Charge for the year	19	153	64	236	—	236
Written back on disposal	—	(10)	—	(10)	—	(10)
At 31 December 2007	1,351	1,962	992	4,305	—	4,305
Net book value:						
At 31 December 2007	34	538	228	800	103,800	104,600

14. Fixed assets (Continued)

(b) The Company (Continued)

	Leasehold improvements $'000	Plant and machinery, furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:						
At 1 January 2006	1,385	2,637	1,488	5,510	97,000	102,510
Additions	—	83	320	403	—	403
Disposals	—	(289)	(588)	(877)	—	(877)
Fair value adjustment	—	—	—	—	1,200	1,200
At 31 December 2006	1,385	2,431	1,220	5,036	98,200	103,236
Representing:						
Cost	1,385	2,431	1,220	5,036	—	5,036
Valuation — 2006	—	—	—	—	98,200	98,200
	1,385	2,431	1,220	5,036	98,200	103,236
Accumulated depreciation:						
At 1 January 2006	1,313	1,852	1,306	4,471	—	4,471
Charge for the year	19	187	76	282	—	282
Written back on disposal	—	(220)	(454)	(674)	—	(674)
At 31 December 2006	1,332	1,819	928	4,079	—	4,079
Net book value:						
At 31 December 2006	53	612	292	957	98,200	99,157

14. Fixed assets (Continued)

(c) The analysis of net book value of properties is as follows:

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
In Hong Kong on long-term leases	103,800	98,200	103,800	98,200
Elsewhere in the PRC on medium-term leases	542,289	256,357	—	—
	646,089	354,557	103,800	98,200

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Representing:				
Land and buildings carried at fair value	264,224	235,651	103,800	98,200
Buildings carried at cost	274,765	61,051	—	—
	538,989	296,702	103,800	98,200
Interest in leasehold land held for use under operating leases	107,100	57,855	—	—
	646,089	354,557	103,800	98,200

(d) Investment properties of the Group and the Company situated in Hong Kong totalling $103,800,000 (2006: $98,200,000) were revalued at 31 December 2007 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their Staff Members of Hong Kong Institute of Surveyors, on an open market value basis. Investment properties of the Group situated in the PRC totalling $160,424,000 (2006: $137,451,000) were revalued at 31 December 2007 by an independent firm of surveyors registered in the PRC, 廣東財興資產評估土地房產估價有限公司, on an open market value basis.

14. Fixed assets (Continued)

(e) The Group leases out investment properties under operating leases. The leases run for an initial period of one to twenty eight years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Within 1 year	11,643	14,805	2,952	3,055
After 1 year but within 5 years	7,174	10,588	1,121	3,583
After 5 years	20,483	22,614	—	—
	39,300	48,007	4,073	6,638

(f) During the year, one of the Group's subsidiaries entered into an agreement with the Qinhuangdao Municipal Bureau of Land and Resources to acquire a land use right in the PRC for a cash consideration of RMB45,605,000 (equivalent to approximately $48,701,000). At 31 December 2007, the Group has made partial payment in accordance with the payment schedule. The formal title of the land use right in the PRC from the relevant government authorities can only be obtained after settlement of the final payment due on 30 May 2008.

15. Interest in subsidiaries

		The Company	
	Note	2007 $'000	2006 $'000
Unlisted shares, at cost		211,409	211,409
Loans to subsidiaries	(ii)	130,928	124,705
Amounts due from subsidiaries	(iii)	466,976	404,421
		809,313	740,535
Less: impairment losses		(328,063)	(358,842)
		481,250	381,693

Notes:

(i) Details of the subsidiaries, which are incorporated in Hong Kong unless otherwise stated, are set out in note 37. Details of companies under liquidation which have not been consolidated in the financial statements are set out in note 38.

(ii) The loans to subsidiaries are interest-bearing at one-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC plus 0.5% per annum. The loans are unsecured and repayable within one year.

(iii) Amounts due from subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

16. Interest in associates

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Unlisted shares, at cost	—	—	244,980	244,980
Share of net assets	199,010	182,434	—	—
	199,010	182,434	244,980	244,980
Less: impairment losses	—	—	(75,722)	(75,722)
	199,010	182,434	169,258	169,258

Details of the associates, which are incorporated in the PRC, are set out in note 39.

Summary of financial information on associates

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000
2007					
100 per cent	681,543	(180,018)	501,525	1,314,898	50,607
Group's effective interest	270,935	(71,925)	199,010	522,804	20,390
2006					
100 per cent	552,603	(92,434)	460,169	1,149,093	47,435
Group's effective interest	219,150	(36,716)	182,434	457,143	19,259

17. Other non-current financial assets

	The Group and the Company	
	2007 $'000	2006 $'000
Equity securities		
Unlisted equity securities, at cost	540	540
Less: impairment losses	(540)	(540)
	—	—

18. Trading securities

	The Group and the Company	
	2007 $'000	2006 $'000
Trading securities (at market value)		
Equity securities listed in Hong Kong	6,399	3,153

19. Income tax in the balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2007 $'000	2006 $'000
Provision for Hong Kong Profits Tax for the year	86	650
Provisional Profits Tax paid	(86)	(650)
	—	—
Balance of Profits Tax recoverable relating to prior year	(456)	(320)
Taxation outside Hong Kong	19,934	19,077
	19,478	18,757
Representing:		
Current taxation recoverable	(456)	(320)
Current taxation payable	19,934	19,077
	19,478	18,757

19. Income tax in the balance sheet (Continued)

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Revaluation of investment properties $'000	Tax losses $'000	Total $'000
Deferred tax arising from:				
At 1 January 2007	11,436	11,679	(1,428)	21,687
Exchange adjustments	771	761	—	1,532
Charged/(credited) to consolidated income statement	1,301	4,371	(1,438)	4,234
Effect of change in tax rate in the PRC	(2,868)	(2,552)	—	(5,420)
At 31 December 2007	10,640	14,259	(2,866)	22,033
At 1 January 2006	9,446	3,641	(870)	12,217
Exchange adjustments	371	253	—	624
Charged/(credited) to consolidated income statement	1,619	7,785	(558)	8,846
At 31 December 2006	11,436	11,679	(1,428)	21,687

(c) Deferred tax assets unrecognised:

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Tax losses	400,893	426,061	393,220	408,650

The tax losses do not expire under the current tax legislation, except for an amount of $4,144,000 (2006: $4,006,000), being unrecognised tax losses, which will expire in the coming 5 years.

20. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2007 $'000	2006 $'000
Raw materials, spare parts and consumables	213,805	65,948
Work in progress	48,837	—
Finished goods	58,701	49,530
	321,343	115,478

(b) An analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007 $'000	2006 $'000
Carrying amount of inventories sold	1,412,878	1,047,417
Write down of inventories	104	3,848
	1,412,982	1,051,265

21. Trade and other receivables, deposits and prepayments

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade debtors	30,768	14,230	27	637
Bills receivable	347,198	234,040	—	—
Other receivables, deposits and prepayments	67,731	26,436	351	381
Amounts due from a related company (note (i))	7,791	—	—	—
	453,488	274,706	378	1,018

Notes:

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

(ii) Included in the trade and other receivables, deposits and prepayments are balances totalling $810,000 (2006: $259,000) expected to be recovered after one year.

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

(a) Ageing analysis

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), based on the invoice date, with the following ageing analysis:

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Within 1 month	131,793	149,105	27	508
1 to 3 months	158,685	92,386	—	—
More than 3 months but less than 12 months	95,279	6,779	—	129
	385,757	248,270	27	637

The Group maintains a defined policy with credit periods ranging from advance payment to not more than 180 days.

Further details on the Group's credit policy are set out in note 28(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(j)(i)).

The movements in the allowance for doubtful debts during the year are as follows:

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
At 1 January	19,250	21,263	7,240	7,240
Impairment losses recognised	49	—	49	—
Write-back of impairment losses on receivables	(90)	(2,013)	—	—
At 31 December	19,209	19,250	7,289	7,240

At 31 December 2007, the Group's and the Company's trade debtors and bills receivable of $19,209,000 (2006: $19,250,000) and $7,289,000 (2006: $7,240,000) respectively were individually determined to be impaired. The individually impaired receivables relate to customers that are in financial difficulties and management assessed that the balances are not expected to be recoverable. Consequently, full specific allowances for doubtful debts were recognised. The Group and the Company do not hold any collateral over these balances.

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

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors, bills receivable and trade balances due from a related company that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Neither past due nor impaired	376,081	239,823	27	508
Less than 1 month past due	9,669	7,588	—	—
1 to 3 months past due	7	730	—	—
3 to 6 months past due	—	—	—	—
Past due for over 6 months	—	129	—	129
	9,676	8,447	—	129
	385,757	248,270	27	637

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral over these balances.

22. Cash and cash equivalents

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deposits with banks	63,394	37,477	1,003	9,332
Cash at bank and in hand	83,615	120,260	662	1,415
Cash and cash equivalents in the balance sheet	147,009	157,737	1,665	10,747
Pledged bank balances	(55,900)	—	—	—
Cash and cash equivalents in the consolidated cash flow statement	91,109	157,737		

23. Trade and other payables

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade creditors	83,502	103,837	29	29
Bills payable	11,597	—	—	—
Other payables and accrued charges	152,665	172,955	12,449	11,267
Amounts due to subsidiaries	—	—	29,878	—
Amounts due to associates	19	18	—	—
Amounts due to minority shareholder	—	6,269	—	—
Amounts due to a related company (note (i))	130,352	—	—	—
Amounts due to holding companies and fellow subsidiaries	23,250	23,298	—	48
Derivative financial instruments (note 28(d))	346	—	—	—
	401,731	306,377	42,356	11,344

Notes:

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

(ii) The amount of trade and other payables expected to be settled after more than one year is $905,000 (2006: $1,557,000).

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

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Due within 1 month or on demand	225,451	103,837	29	29

24. Interest-bearing borrowings

		The Group	
	Note	2007 $'000	2006 $'000
(a) Bank loans			
— unsecured	(i)	281,720	—
— secured by bills receivable	(ii)	168,988	81,557
— secured by bank deposits	(iii)	52,720	—
		503,428	81,557

At 31 December 2007, the bank loans were repayable as follows:

	The Group	
	2007 $'000	2006 $'000
Within 1 year or on demand	423,336	81,557
After 1 year but within 2 years	—	—
After 2 years but within 5 years	80,092	—
	80,092	—
	503,428	81,557

Notes:

(i) Included in the unsecured bank loans are loans granted to Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd ("Zhongyue Posco"), a non-wholly owned subsidiary of the Group with carrying amounts of $80,043,000 and $80,092,000 guaranteed by the minority shareholder and Zhongyue Tinplate, a subsidiary of the Group, respectively.

(ii) The loans are secured by bills receivable with carrying amounts of $168,988,000 (2006: $81,557,000).

(iii) The loans are secured by bank deposits of $50,571,000 (2006: $Nil).

	The Group and the Company	
	2007 $'000	2006 $'000
(b) Loan from immediate holding company	21,216	—

The loan is unsecured, interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") + 0.35% per annum and repayable on 31 December 2008.

(Expressed in Hong Kong dollars)

25. Equity-settled share-based transactions

On 24 August 2001, for the purpose of having a new share option scheme with terms compatible with modern practice and providing greater flexibility to the directors, the Company adopted a new share option scheme (the "2001 Share Options Scheme"). Pursuant to the 2001 Share Option Scheme, the directors are authorised, at their discretion, to invite full-time employees of the Company and its subsidiaries, including executive directors but excluding non-executive directors to take up options to subscribe for shares of the Company. A grant of options under the 2001 Share Option Scheme may be accepted in writing and upon payment of a consideration of $10 in total by the grantee to the Company within 21 days from the date of grant. The options vest after 3 months from the date of grant and are exercisable within a period of five years. Each option gives the holder the right to subscribe for one share.

On 11 June 2004, the shareholders of the Company passed a resolution to adopt a new share option scheme (the "2004 Share Option Scheme") with terms compatible with modern practice to recruit and retain quality employees to serve the Group on a long-term basis, to maintain good relationships with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the Group. Eligible participants of the 2004 Share Option Scheme include the Company's directors (including Non-executive and Independent Non-executive Directors), employees or executives of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and substantial shareholders of the Group.

On the same day, the shareholders of the Company also passed a resolution to terminate the 2001 Share Option Scheme. Options previously granted under the old scheme remain valid until lapsed.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting conditions	Contractual life of options
Options held by directors:			
— granted on 6 February 2004	3,500,000	Three months from the date of grant	5 years
— granted on 9 March 2006	5,500,000	Three months from the date of grant	10 years
Options held by employees:			
— granted on 24 August 2001	3,350,000	Three months from the date of grant	5 years
— granted on 6 February 2004	4,940,000	Three months from the date of grant	5 years
— granted on 9 March 2006	6,270,000	Three months from the date of grant	10 years
Total share options	23,560,000		

25. Equity-settled share-based transactions (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2007 Weighted average exercise price	2007 Number of options '000	2006 Weighted average exercise price	2006 Number of options '000
Outstanding at the beginning of the year	$1.627	19,970	$1.557	11,790
Granted during the year		—	$1.660	11,770
Lapsed during the year	$1.660	(1,500)	$1.503	(3,590)
Exercised during the year	$1.586	(4,020)		—
Exercisable at the end of the year	$1.636	14,450	$1.627	19,970

The options outstanding at 31 December 2007 had a weighted average exercise price of $1.636 (2006: $1.627) and a weighted average remaining contractual life of 6.06 years (2006: 6.34 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2007 $'000	2006 $'000
Fair value at measurement date	$0.29	$0.29
Share price at the grant date	$1.64	$1.64
Exercise price	$1.66	$1.66
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	78%	78%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	10 years	10 years
Expected dividends	2.564%	2.564%
Risk-free interest rate (based on Exchange Fund Notes)	4.444%	4.444%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

26. Capital and reserves

(a) The Group

	Attributable to equity shareholders of the Company										
	Share capital $'000	Share premium $'000	Capital reserve — share options $'000	Capital reserve — others $'000	Exchange reserves $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2007	450,792	—	3,376	657	37,949	107,440	3,523	469,532	1,073,269	37,642	1,110,911
Dividends approved in respect of previous year	—	—	—	—	—	—	—	(18,072)	(18,072)	—	(18,072)
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	—	—	—	—	74,231	—	—	—	74,231	3,832	78,063
Transfer to statutory reserves	—	—	—	—	—	—	2,905	(2,905)	—	—	—
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	(37,642)	(37,642)
Capital contributions by minority shareholders	—	—	—	—	—	—	—	—	—	85,842	85,842
Exercise of share options	2,010	4,423	(58)	—	—	—	—	—	6,375	—	6,375
Share options lapsed during the year	—	—	(437)	—	—	—	—	437	—	—	—
Dividends declared in respect of current year	—	—	—	—	—	—	—	(18,108)	(18,108)	—	(18,108)
Profit for the year	—	—	—	—	—	—	—	183,809	183,809	(1,931)	181,878
At 31 December 2007	452,802	4,423	2,881	657	112,180	107,440	6,428	614,693	1,301,504	87,743	1,389,247

26. Capital and reserves (Continued)

(a) The Group (Continued)

	Attributable to equity shareholders of the Company										
	Share capital $'000	Share premium $'000	Capital reserve — share options $'000	Capital reserve — others $'000	Exchange reserves $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2006	450,792	—	—	657	12,260	107,440	2,783	375,950	949,882	29,334	979,216
Dividends approved in respect of previous year	—	—	—	—	—	—	—	(13,524)	(13,524)	—	(13,524)
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	—	—	—	—	25,689	—	—	—	25,689	945	26,634
Transfer to statutory reserves	—	—	—	—	—	—	740	(740)	—	—	—
Dividends declared to minority shareholders	—	—	—	—	—	—	—	—	—	(1,421)	(1,421)
Capital contributions by minority shareholders	—	—	—	—	—	—	—	—	—	3,310	3,310
Grant of share options	—	—	3,426	—	—	—	—	—	3,426	—	3,426
Share options lapsed during the year	—	—	(50)	—	—	—	—	50	—	—	—
Dividends declared in respect of current year	—	—	—	—	—	—	—	(13,524)	(13,524)	—	(13,524)
Profit for the year	—	—	—	—	—	—	—	121,320	121,320	5,474	126,794
At 31 December 2006	450,792	—	3,376	657	37,949	107,440	3,523	469,532	1,073,269	37,642	1,110,911

26. Capital and reserves (Continued)

(b) The Company

	Share capital $'000	Share premium $'000	Capital reserve — share options $'000	Special capital reserve $'000	Retained profits $'000	Total equity $'000
At 1 January 2007	450,792	—	3,376	107,440	92,074	653,682
Dividends approved in respect of previous year	—	—	—	—	(18,072)	(18,072)
Share options lapsed during the year	—	—	(437)	—	437	—
Dividends declared in respect of current year	—	—	—	—	(18,108)	(18,108)
Exercise of share options	2,010	4,423	(58)	—	—	6,375
Profit for the year	—	—	—	—	76,101	76,101
At 31 December 2007	452,802	4,423	2,881	107,440	132,432	699,978
At 1 January 2006	450,792	—	—	107,440	99,303	657,535
Dividends approved in respect of previous year	—	—	—	—	(13,524)	(13,524)
Share options lapsed during the year	—	—	(50)	—	50	—
Dividends declared in respect of current year	—	—	—	—	(13,524)	(13,524)
Grant of share options	—	—	3,426	—	—	3,426
Profit for the year	—	—	—	—	19,769	19,769
At 31 December 2006	450,792	—	3,376	107,440	92,074	653,682

26. Capital and reserves (Continued)

(c) Share capital

	2007 Number of shares '000	2007 $'000	2006 Number of shares '000	2006 $'000
Authorised:				
Ordinary shares of nominal value of $0.50 each	3,000,000	1,500,000	3,000,000	1,500,000
Issued and fully paid:				
At 1 January	901,583	450,792	901,583	450,792
Exercise of share options	4,020	2,010	—	—
At 31 December	905,603	452,802	901,583	450,792

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Shares issued under share option schemes

During the year, share options were exercised to subscribe for 4,020,000 ordinary shares in the Company at a consideration of $6,375,000 of which $2,010,000 was credited to share capital and the balance of $4,365,000 was credited to the share premium account. $58,000 has been transferred from capital reserve — share options to the share premium account in accordance with accounting policy set out in note 1(p)(ii).

(e) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by Sections 48B of the Hong Kong Companies Ordinance.

(ii) Capital reserve — share options

The capital reserve — share options represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(iii) Special capital reserve

The special capital reserve was created under the capital reorganisation of the Company completed in 2005. The Company had given an undertaking to the High Court of Hong Kong in relation to the amount credited to such reserve on the conditions that such reserve will not be treated as realised profits and will not be distributable unless and until certain conditions have been fulfilled.

26. Capital and reserves (Continued)

(e) Nature and purpose of reserves (Continued)

(vi) Exchange reserves

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(v) Other reserves represent statutory reserves of entities established in the PRC.

(f) Distributability of reserves

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $78,532,000 (2006: $43,774,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's capital comprises its equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net debt-to-capital ratio. It is the Group's strategy to keep the net debt-to-capital ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts. As at 31 December 2007, the net debt-to-capital ratio of the Group was as follows:

	2007 $'000	2006 $'000
Bank loans	503,428	81,557
Loan from immediate holding company	21,216	—
Borrowings	524,644	81,557
Less: Cash and cash equivalents	(147,009)	(157,737)
Net debt/(cash)	377,635	(76,180)
Equity attributable to equity shareholders of the Company	1,301,504	1,073,269
Net debt-to-capital ratio	29.0%	(7.1%)

The increase in net debt-to-capital ratio was primarily due to the funding requirements for the development of the Group's tinplating business.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. Notes to the consolidated cash flow statement

Major non-cash transaction

During the year ended 31 December 2006, long-outstanding payables totalling $4,198,000 was written back (see note 4).

28. Financial instruments

Exposure to credit, liquidity, interest rate, currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, deposits and prepayments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and bills receivables relating to the tinplating operation, credit evaluations are performed on all customers requiring credit over a certain amount. The trade receivables are usually due within 30 days from the date of billing and the maturity dates for bills receivables issued by banks range from 3 to 6 months. For the foodstuffs trading business, credit period usually ranges from 1 to 2 months. For distribution of live and fresh foodstuffs, credit period is usually less than 1 month. Payment in advance is usually required for tenants under the Group's property leasing operation. Debtors with balances that are more than one month overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain level of concentrations of credit risk as 23.3% (2006: 18.8%) and 43.1% (2006: 43.7%) of the total trade and bills receivables was due from the Group's largest debtor and the five largest debtors, respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantee which would expose the Group to credit risk. Details of guarantees provided by a subsidiary to another subsidiary within the Group are set out in note 24(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management. However, except for placing fixed deposits with major financial institutions, short-term investment of cash surpluses and raising of loans to cover expected cash demands require approval by the parent company. The Group's policy is to regularly monitor its liquidity to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

28. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans	503,428	(523,748)	(434,361)	(5,385)	(84,002)	—
Loan from immediate holding company	21,216	(22,012)	(22,012)	—	—	—
Trade and other payables	401,731	(401,731)	(400,826)	(905)	—	—
	926,375	(947,491)	(857,199)	(6,290)	(84,002)	—

	2006					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans	81,557	(81,557)	(81,557)	—	—	—
Trade and other payables	306,377	(306,377)	(304,820)	(1,557)	—	—
	387,934	(387,934)	(386,377)	(1,557)	—	—

28. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Group

	2007 Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Derivatives settled gross:					
Forward foreign exchange contracts (note 28(d)(i))					
— outflow	(50,456)	(50,456)	—	—	—
— inflow	52,720	52,720	—	—	—

	2006 Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Derivatives settled gross:					
Forward foreign exchange contracts (note 28(d)(i))					
— outflow	—	—	—	—	—
— inflow	—	—	—	—	—

28. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Company

	2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Trade and other payables	42,356	(42,356)	(42,356)	—	—	—

	2006					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Trade and other payables	11,344	(11,344)	(11,344)	—	—	—

28. Financial instruments (Continued)

(c) Interest rate risk

The Group's and Company's interest rate risk arises primarily from interest-bearing borrowings and cash and cash equivalents. Borrowings issued at variable rates and at fixed rates expose the Group and the Company to cash flow interest rate risk and fair value interest rate risk respectively. The Group and the Company do not use financial derivatives to hedge against the interest rate risk. The Group's and the Company's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (being interest-bearing borrowings less cash and cash equivalents) at the balance sheet date.

The Group

	2007 Effective interest rate per annum	2007 $'000	2006 Effective interest rate per annum	2006 $'000
Fixed rate borrowings:				
Bank loans	4.809%	357,816	3.24%	81,557
Variable rate borrowings:				
Loans from immediate holding company	3-month HIBOR+0.35%	21,216	—	—
Bank loans	3-month LIBOR*+0.3%	65,520	—	—
	90% of The People's Bank of China's Base Lending Rate	80,092	—	—
		166,828		—
Total borrowings		524,644		81,557
Cash and cash equivalents	2.36%	(147,009)	1.92%	(157,737)
Total net borrowings/ (deposits)		377,635		(76,180)
Fixed rate borrowings as a percentage of total borrowings		68.2%		100%

* London Interbank Offered Rate ("LIBOR")

28. Financial instruments (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

The Company

	2007 Effective interest rate per annum	2007 $'000	2006 Effective interest rate per annum	2006 $'000
Variable rate borrowings:				
Loans from immediate holding company	3-month HIBOR+0.35%	21,216	—	—
Variable rate lending:				
Loans to subsidiaries	1-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC +0.5%	(130,928)	1-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC +0.5%	(124,705)
Cash and cash equivalents	1.49%	(1,665)	4.49%	(10,747)
Total net lending		(111,377)		(135,452)

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately $1,049,000 (2006: increase/decrease by $1,011,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

28. Financial instruments (Continued)

(d) Foreign currency risk

The Group is exposed to currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they relate and to a lesser extent, export sales to customers overseas. The currency giving rise to this risk is United States Dollars.

In respect of trade receivables and payables held 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.

As at 31 December 2007, the Group also had borrowings in foreign currencies. However, forward foreign exchange contracts were entered into by the Group to hedge these foreign currencies loans which amounted to US$3,022,000 and JPY416,371,000 (equivalent to HK$52,720,000 in aggregate). Changes in the fair value of forward foreign exchange contracts are recognised in profit or loss and their net fair value of $346,000 at 31 December 2007 was recognised as derivative financial instruments and included in trade and other payables (note 23).

Except for the Group's borrowings in foreign currencies as described above, other borrowings are denominated either in the functional currency of the entity taking out the loans or, in United States Dollars. In view of the anticipated appreciation of Renminbi against United States Dollars, management does not consider this risk to be significant.

28. Financial instruments (Continued)

(d) Foreign currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related.

The Group

	2007 Hong Kong Dollars '000	2007 United States Dollars '000	2007 Renminbi '000	2007 Japanese Yen '000
Trade and other receivables, deposits and prepayments	—	1,948	55	—
Cash and cash equivalents	14	1,068	—	—
Bank loans	—	(27,010)	—	(416,371)
Trade and other payables	(300)	(17,154)	(3,169)	—
Gross exposure arising from recognised assets and liabilities	(286)	(41,148)	(3,114)	(416,371)
Notional amounts of forward foreign exchange contracts	—	3,022	—	416,371
Overall net exposure	(286)	(38,126)	(3,114)	—

	2006 Hong Kong Dollars '000	2006 United States Dollars '000	2006 Renminbi '000	2006 Japanese Yen '000
Trade and other receivables, deposits and prepayments	—	458	5	—
Cash and cash equivalents	19	7,612	—	—
Trade and other payables	(300)	(7,869)	(2,518)	—
Overall net exposure	(281)	201	(2,513)	—

28. Financial instruments (Continued)

(d) Foreign currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	2007 United States Dollars '000	2007 Renminbi '000	2006 United States Dollars '000	2006 Renminbi '000
Trade and other receivables, deposits and prepayments	—	6	—	5
Cash and cash equivalents	3	—	1,154	—
Trade and other payables	—	(3,169)	—	(2,518)
Overall net exposure	3	(3,163)	1,154	(2,513)

(ii) Sensitivity analysis

The sensitivity analysis indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower, but excludes the borrowings in foreign currencies that are hedged by the forward foreign exchange contracts.

At 31 December 2007, it is estimated that if United States Dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, the Group's profit after tax and retained profits would have been increased/decreased by $12,300,000 (2006: $545,000).

At 31 December 2007, it is estimated that if Reminbi had strengthened/weakened by 5% against Hong Kong Dollars with all other variables held constant, the Group's profit after tax and retained profits would have been decreased/increased by $136,000 (2006: $116,000).

The analysis is prepared under the assumption that, the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. That is, for entities with Hong Kong Dollars as functional currency, the United States Dollars denominated assets and liabilities are assumed to have no currency risk exposure.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented above represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

28. Financial instruments (Continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities which is listed (see note 18).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. The management monitors regularly the performance of the investments against expectation, together with an assessment of their relevance to the Group's long-term strategic plans.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006 and 2007, except for amounts due from subsidiaries that are interest free and have no fixed terms of repayment. In view of the terms of these balances, it is not practicable to estimate their fair value.

(g) Estimation of fair values

The fair value of trading securities and derivative financial instruments are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

29. Commitments

(a) Capital commitments outstanding as at 31 December 2007 not provided for in the financial statements were as follows:

	The Group	
	2007 $'000	2006 $'000
Contracted for	36,016	3,463
Authorised but not contracted for	11,827	9,748
	47,843	13,211

29. Commitments (Continued)

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2007 $'000	2006 $'000
Within 1 year	2,142	637
After 1 year but within 5 years	936	145
	3,078	782

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

(c) At 31 December 2007, the Company had committed to provide finance of $6,489,000 (2006: $6,489,000) to an associate of the Group.

30. Material related party transactions

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

(a) Transactions with related parties

The Group had the following transactions with the related parties during the year which the directors consider material:

	Note	2007 $'000	2006 $'000
Sales of goods to related companies	(iii)	33,097	—
Purchases of goods from	(ii), (iii)		
— an associate		1,289	1,092
— related companies		819,629	—
Purchases of property, plant and equipment and related technical consultation and training services from a related company	(iii)	141,643	—
Maintenance fee paid to the immediate holding company		229	289
Provision of electricity/water and leasing services to a fellow subsidiary		1,179	3,482

Notes:

(i) Balances with related parties at 31 December are included in amounts due from/to the respective parties in the balance sheets. Except for the loan from immediate holding company as disclosed in note 24(b), these balances are unsecured, interest free and have no fixed terms of repayment.

(ii) After the establishment of Zhongyue Posco, a 66% owned subsidiary of the Group with POSCO Co., Ltd (holding the remaining 34% interest) during the year, POSCO Co., Ltd. and its subsidiaries ("POSCO Group") are considered to be related to the Group in accordance with accounting policy as set out in note 1(v). As a result, purchases/sales of goods from/to POSCO Group are disclosed as related party transactions beginning from February 2007.

(iii) Related companies to/from which goods were sold and purchased refer to the entities within the POSCO Group.

30. Material related party transactions (Continued)

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

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

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

— Sales and purchase of goods and ancillary materials;

— Rendering and receiving services;

— Lease of assets;

— Purchase of property, plant and equipment; and

— Obtaining finance.

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

Having considered the potential transactions impacted by related party relationships, the entity's pricing strategy, buying and approval process, and what information would be necessary for an understanding of the potential effects of the transactions on the financial statements, the directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 is as follows:

	2007 $'000	2006 $'000
Short-term employee benefits	2,931	4,019
Post-employment benefits	447	549
Equity compensation benefits	—	1,251
	3,378	5,819

Total remuneration is included in "staff costs" (see note 6(b)).

31. Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The Group's pension cost charged to the income statement for the year ended 31 December 2007 was $3,302,000 (2006: $1,480,000). The forfeited contribution refunded for the year amounted to $23,000 (2006: $139,000).

32. Significant accounting estimates and judgements

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operation results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 1(g), the investment properties were revalued by independent professional valuers on a market value basis at each balance sheet date. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the results of the Group and the Company in future years.

(b) Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgement may be required in determining the provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Recognition of deferred tax assets, which principally relates to tax losses, depends on the management's expectation of future taxable profits that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

32. Significant accounting estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

(c) Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the net asset value of the Group and the Company.

Impairment loss for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the results of the Group and the Company in future years.

(d) Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy as set out in note 1(k). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net asset value.

(e) Depreciation

Fixed assets, other than investment properties and construction in progress, are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

33. Immediate holding and ultimate holding company

The directors consider the immediate holding and ultimate holding company at 31 December 2007 to be GDH Limited and Guangdong Holdings Limited respectively. GDH Limited is incorporated in Hong Kong and Guangdong Holdings Limited is established in the PRC. Both entities do not produce financial statements available for public use.

34. Subsequent events

(a) On 25 January 2008, a wholly-owned subsidiary of the Group, Zhongyue Industry Material Limited ("ZIML") entered into a facility agreement (the "Loan Agreement") for a term loan facility in the principal amount of up to $480,000,000; the arrangers and lenders for such loan facility are Industrial and Commercial Bank of China (Asia) Limited and The Hong Kong and Shanghai Banking Corporation Limited (collectively, the "Lenders").

The loan facility is granted to ZIML for the purpose of financing its general corporate financing requirements.

Under the Loan Agreement, the Company has agreed to provide a guarantee and the Group will provide the investment properties situated in Hong Kong as collateral in respect of the repayment obligation of ZIML. Under the Loan Agreement the loan shall be repaid by three equal instalments on the date falling 13 months, 24 months and 36 months, respectively from the date of the Loan Agreement. On 13 March 2008, the loan of $480,000,000 was fully drawn down.

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

(b) On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of $25,000. In accordance with the Group's accounting policy set out in note 1(q), no adjustments have been made to this financial report as a result of this announcement.

The directors estimate that these proposed changes will result in the opening balances of the Group as at 1 January 2008 being remeasured as follows:

(i) current tax payable by the Group will decrease by $25,000; and

(ii) no significant effect on the Group's deferred tax liabilities.

These opening balance adjustments to current tax balance at 1 January 2008 will be recognised as a reduction in the Group's income tax expense of $25,000. It is impracticable to further estimate the impact on future financial statements of the change in tax rate.

(Expressed in Hong Kong dollars)

35. Litigation

In May 2004, a PRC third party filed a claim against a subsidiary of the Group alleging that the subsidiary had not yet settled an outstanding amount due to it. The Intermediate People's Court of Yue Yang City ordered to freeze a bank deposit of the subsidiary in the amount of $4,700,000.

According to the judgement of the Intermediate People's Court of Yue Yang City issued on 12 December 2004, the subsidiary was ordered to pay compensation and court charges amounting to RMB4,934,000 and RMB40,000 respectively. The subsidiary lodged an appeal to the High People's Court of Hunan Province against the judgement and the judgement of the Intermediate People's Court of Yue Yang City was repudiated on 31 January 2005. Accordingly, the frozen bank deposit of $4,700,000 was released.

In 2006, the PRC third party filed a new claim of RMB5,788,000 to the Intermediate People's Court of Zhongshan City. The Court proceedings were held in July 2007. According to the decision of the Intermediate People's Court of Zhongshan City issued on 19 October 2007, the claim was denied and the subsidiary was not liable for any payment in respect of this claim.

No further action was taken by the PRC third party up to the date of issue of these financial statements.

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009
Revised HKAS 23	Borrowing costs	1 January 2009

(Expressed in Hong Kong dollars)

37. List of subsidiaries

Particulars of the subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company	Proportion of nominal value of issued capital/registered capital held by Subsidiary	Principal activities
Dongguan Jinhuang Food Co., Ltd.#	The PRC	N/A	RMB40,000,000	—	100%	Leasing
Gain First Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	—	Investment holding
Guangnan Fresh and Live Foodstuffs Limited	Hong Kong	Ordinary	$1,000,000	100%	—	Inactive
Guangnan Supermarket Development Limited	Hong Kong	Ordinary	$135,742,220	100%	—	Investment holding
Guangnan Hong Company Limited (previously known as "Guangnan Trading Development Ltd")	Hong Kong	Ordinary	$73,916,728	100%	—	Distribution and sales of foodstuffs
Guangnan Live Pigs Trading Limited	Hong Kong	Ordinary	$12,000,000	—	51%	Distribution of live pigs
Jin Huang Food Industry Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	$1,000,000	100%	—	Investment holding
Jin Huang Food Industry Investment Limited	Hong Kong	Ordinary	$1,000,000	—	100%	Investment holding
Zhongyue Industry Material Limited	Hong Kong	Ordinary	$10	—	100%	Trading of raw materials for production of tinplate products
		Non-voting deferred	$230,000,000	—	—	
Zhongshan Shan Hai Industrial Co., Ltd.#	The PRC	N/A	RMB45,600,000	—	100%	Property development and leasing
Zhongshan Zhongyue Tinplate Industrial Co., Ltd.#	The PRC	N/A	US$68,006,200	—	100%	Production and sales of tinplate products
Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.*	The PRC	N/A	US$30,000,000	—	66%	Production and sales of tinplate products

* an equity joint venture established in the PRC

\# a wholly foreign-owned enterprise established in the PRC

(Expressed in Hong Kong dollars)

38. List of companies under liquidation

Particulars of the companies under liquidation or petitioned to court for liquidation are as follows:

Name of company	Place of incorporation/ place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Proportion of nominal value of issued capital/ registered capital held by Subsidiary
Guangnan (KK) Supermarket Limited*	Hong Kong	Ordinary	$20,000,000	—	70%
Guangdong Guangnan Tianmei Food Development Company Limited#	The PRC	N/A	RMB34,820,000	—	55%

* company commenced liquidation in June 2001

\# an equity joint venture established in the PRC and was petitioned to court for liquidation in July 2001

39. List of associates

Particulars of the associates at 31 December 2007 are as follows:

Name of associate	Place of incorporation/ place of operations	Class of shares held	Proportion of nominal value of issued capital/ capital registered held by the Company	Proportion of nominal value of issued capital/ capital registered held by Subsidiary	Principal activities
Yellow Dragon Food Industry Co., Ltd.*	The PRC	N/A	40%	—	Processing and sale of corn food and feed products
Zhongshan Baoli Food Ltd.*	The PRC	N/A	30%	—	Processing of canned food

* an equity joint venture established in the PRC

1. During the year, the Group has the following connected transactions which are required to be disclosed in the annual report in accordance with the disclosure requirements of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The transactions described in A, B, C and D below (collectively the "Transactions") are continuing connected transactions subject to annual review requirements under Rules 14A.37 to 14A.41 of the Listing Rules and reporting requirements under Rules 14A.45 to 14A.46 of the Listing Rules.

   Details of the Transactions during the year are as follows:

   A. Between 1 January 2007 to 31 August 2007 when GD Decorative Material (Zhong Shan) Co., Ltd. ("GD Decorative") was a subsidiary of GDH Limited ("GDH"), 中山市山海實業有限公司 (Zhongshan Shan Hai Industrial Co. Ltd.) ("Shan Hai"), a wholly-owned subsidiary of the Group, leased a parcel of land in Zhongshan to GD Decorative ("Shan Hai Transaction") in its ordinary course of business and on normal commercial terms for approximately HK$900,000. GDH is a substantial shareholder of the Company.

   B. Between 1 January 2007 to 31 August 2007, 中山中粤馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co. Ltd.) ("Zhongyue Tinplate"), a wholly-owned subsidiary of the Group, provided water to GD Decorative ("Tinplate Transaction") in its ordinary course of business and on normal commercial terms for approximately HK$51,000.

   C. Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), a 66% owned subsidiary of the Group, purchased blackplates from POSCO Co., Ltd. ("POSCO") and its subsidiaries (collectively "POSCO Group") in their ordinary course of business and on normal commercial terms for approximately HK$819,629,000 ("Purchase of Blackplate Transactions"). POSCO is a substantial shareholder of Zhongyue Posco.

   D. Zhongyue Tinplate supplied tinplates and tinplate related products to POSCO-China Holding Corporation ("POSCO-China") in its ordinary course of business and on normal commercial terms for approximately HK$33,097,000 ("Sales of Tinplate Transaction"). POSCO-China is a wholly-owned subsidiary of POSCO and is a substantial shareholder of Zhongyue Posco.

   The Board of Directors of the Company including the Independent Non-executive Directors have reviewed the Transactions described in A, B, C and D above and confirmed that the Transactions are:

   (i) entered into by Shan Hai, Zhongyue Tinplate and Zhongyue Posco in their ordinary and usual course of businesses;

   (ii) conducted on normal commercial terms or on terms no less favourable than those available to or from independent third parties; and

   (iii) entered into in accordance with the terms of agreements governing the Transactions or on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors of the Company including the Independent Non-executive Directors also confirmed that:

(i) the aggregate amount for the year ended 31 December 2007 did not exceed the cap amounts of HK$1,600,000 for the Shan Hai Transaction and HK$2,500,000 for the Tinplate Transaction as disclosed in the announcement dated 12 April 2005;

(ii) the aggregate amount for the year ended 31 December 2007 did not exceed the annual cap amount of HK$830,700,000 for the Purchase of Blackplate Transactions as disclosed in the announcement dated 8 January 2007; and

(iii) the aggregate amount for the year ended 31 December 2007 did not exceed the annual cap amount of HK$167,076,000 for the Sales of Tinplate Transaction as disclosed in the announcement dated 30 April 2007.

The Board of Directors have requested the auditors of the Company to perform certain agreed upon procedures on the continuing connected transactions and have received a letter from the auditors as required under Rule 14A.38 of the Listing Rules.

2. On 25 January 2008, Zhongyue Industry Material Limited ("ZIML"), a wholly-owned subsidiary of the Group, entered into a facility agreement (the "Loan Agreement") for a term loan facility in the principal amount of up to HK$480,000,000. It is provided in the Loan Agreement that if GDH ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the Lenders are entitled to request immediate repayment of the outstanding loans and all accrued interest.

   The arrangers and lenders for such loan facility are Industrial and Commercial Bank of China (Asia) Limited and The Hong Kong and Shanghai Banking Corporation Limited (collectively, the "Lenders"). The loan facility is granted to ZIML for the purpose of financing its general corporate financing requirements.

   Under the Loan Agreement, the Company has agreed to provide a guarantee and the Group will provide the investment properties situated in Hong Kong as collateral in respect of the repayment obligation of ZIML. Under the Loan Agreement the loan shall be repaid by three equal instalments on the date falling 13 months, 24 months and 36 months, respectively from the date of the Loan Agreement. On 13 March 2008, the loan of HK$480,000,000 was fully drawn down.

3. At the balance sheet date, loans previously made by Guangnan Supermarket Development Limited ("GSDL"), a wholly-owned subsidiary, to Guangdong Guangnan Tianmei Food Development Company Limited ("Tianmei"), a 55%-owned subsidiary, are outstanding in an aggregate amount of RMB8,000,000. These loans are unsecured, interest-bearing at a range from 11.5% per annum to 12% per annum. Moreover, GSDL has a sum due from Tianmei, amounting to HK$59,600,000 at the balance sheet date, which are unsecured and interest free. In July 2001, application has been made by its major creditor to the court in the PRC for putting Tianmei into liquidation. As such, Tianmei has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Tianmei have been fully provided for.

4. At the balance sheet date, the loan in the sum of HK$25,000,000 was owed to the Company by Guangnan (KK) Supermarket Limited ("Guangnan KK"), a 70%-owned subsidiary. Such loan was made for its general working capital secured by a first floating charge over Guangnan KK's undertaking, property and assets and interest bearing at Hong Kong dollar prime rate. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully written off.

5. At the balance sheet date, the Company also has a sum due from Guangnan KK totalling HK$108,800,000. Such amounts are unsecured, interest free, except certain loans amounting to HK$53,700,000, which are unsecured and interest-bearing at a range from Hong Kong dollar prime rate per annum to 11.5% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully written off.

6. At the balance sheet date, loans previously made by Guangnan Fresh and Live Foodstuffs Limited, a wholly-owned subsidiary, to Guangnan KK are outstanding in an aggregate amount of HK$23,500,000. These loans are unsecured, interest-bearing at a range from Hong Kong dollar prime rate plus 1% per annum to 8% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully written off.

7. At the balance sheet date, loans previously made by GSDL to Guangnan KK are outstanding in an aggregate amount of HK$29,300,000 of which HK$12,500,000 are unsecured and interest-bearing at 3.5% per annum. The remaining loans of HK$16,800,000 are unsecured and interest free. Also, GSDL has sums of HK$2,600,000 due from Guangnan KK. Such an amount is unsecured and interest free, except certain advances amounting to HK$2,000,000, which are unsecured and interest-bearing at a range of 7.75% per annum to 8.5% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been deconsolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully written off.

Investment Properties

Major properties held for investment

Location	Existing use	Group's interest	Category of the lease
29/F, Shui On Centre, 6–8 Harbour Road, Wan Chai, Hong Kong	Commercial	100%	Long
Land, buildings and structure of Zhongshan Shan Hai Industrial Co., Ltd., Zhongshan Port No. 2 Export Processing District, Zhongshan Guangdong Province, the PRC	Industrial/ Residential	100%	Medium

Financial Summary

(Expressed in Hong Kong dollars)

Results

	Note	2007 $'000	2006 $'000	2005 $'000	2004 (restated) $'000	2003 (restated) $'000
		For the year ended 31 December				
Turnover		1,593,460	1,221,254	921,217	681,875	1,525,807
Profit from operations		109,884	110,794	80,369	75,279	72,949
Net non-operating income		40,021	—	59,746	76,306	35,659
Net valuation gains on investment properties		16,075	23,123	20,497	14,287	—
Finance costs		(11,927)	(2,906)	(396)	(547)	(7,664)
Share of profits less losses of associates		20,390	19,259	20,315	25,477	22,274
Profit before taxation		174,443	150,270	180,531	190,802	123,218
Income tax		7,435	(23,476)	(736)	(28,536)	(15,831)
Profit for the year from continuing operations		181,878	126,794	179,795	162,266	107,387
Loss from discontinued operations		—	—	—	(9,674)	—
Profit for the year		181,878	126,794	179,795	152,592	107,387
Attributable to:						
Equity shareholders of the Company		183,809	121,320	175,759	146,616	102,762
Minority interests		(1,931)	5,474	4,036	5,976	4,625
Profit for the year		181,878	126,794	179,795	152,592	107,387
Earnings per share	(iii)					
Basic		20.3 cents	13.5 cents	19.5 cents	16.3 cents	11.4 cents
Diluted		20.3 cents	13.5 cents	N/A	N/A	11.2 cents
Dividends per share						
Interim dividend declared during the year		2.0 cents	1.5 cents	—	—	—
Final dividend proposed after the balance sheet date		2.0 cents	2.0 cents	1.5 cents	—	—

Assets and liabilities

	As at 31 December				
	2007	2006	2005	2004 (restated)	2003 (restated)
	$'000	$'000	$'000	$'000	$'000
Fixed assets	1,229,884	805,781	434,406	370,808	363,411
Interest in associates	199,010	182,434	176,003	169,689	154,978
Negative goodwill	—	—	—	—	(17,246)
Other non-current assets	—	—	46	202	4,318
Net current assets	62,478	144,383	380,978	254,835	126,507
Total assets less current liabilities	1,491,372	1,132,598	991,433	795,534	631,968
Non-current liabilities	(102,125)	(21,687)	(12,217)	(9,833)	(9,335)
	1,389,247	1,110,911	979,216	785,701	622,633
Share capital	452,802	450,792	450,792	901,583	901,583
Reserves	848,702	622,477	499,090	(140,668)	(299,334)
Total equity attributable to equity shareholders of the Company	1,031,504	1,073,269	949,882	760,915	602,249
Minority interests	87,743	37,642	29,334	24,786	20,384
Total equity	1,389,247	1,110,911	979,216	785,701	622,633

Notes:

(i) The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Figures for 2004 and 2005 have been adjusted for these new and revised policies. However, it is not practicable to restate earlier years for comparison purposes other than the presentation of share of associates' taxation and minority interests.

(ii) Hong Kong Statement of Standard Accounting Practice No. 12 (revised) "Income taxes" was first effective for accounting periods beginning on or after 1 January 2003. In order to comply with this revised statement, the Group adopted a new accounting policy for deferred tax in 2003. The new accounting policy has been adopted prospectively as the effect of this change in accounting policy is not material and, therefore, no comparative figures have been restated for earlier years.

(iii) Earnings per share from 2003 to 2004 have been retrospectively adjusted for the share consolidation of every 10 issued and unissued shares into one new share which took place in December 2005.