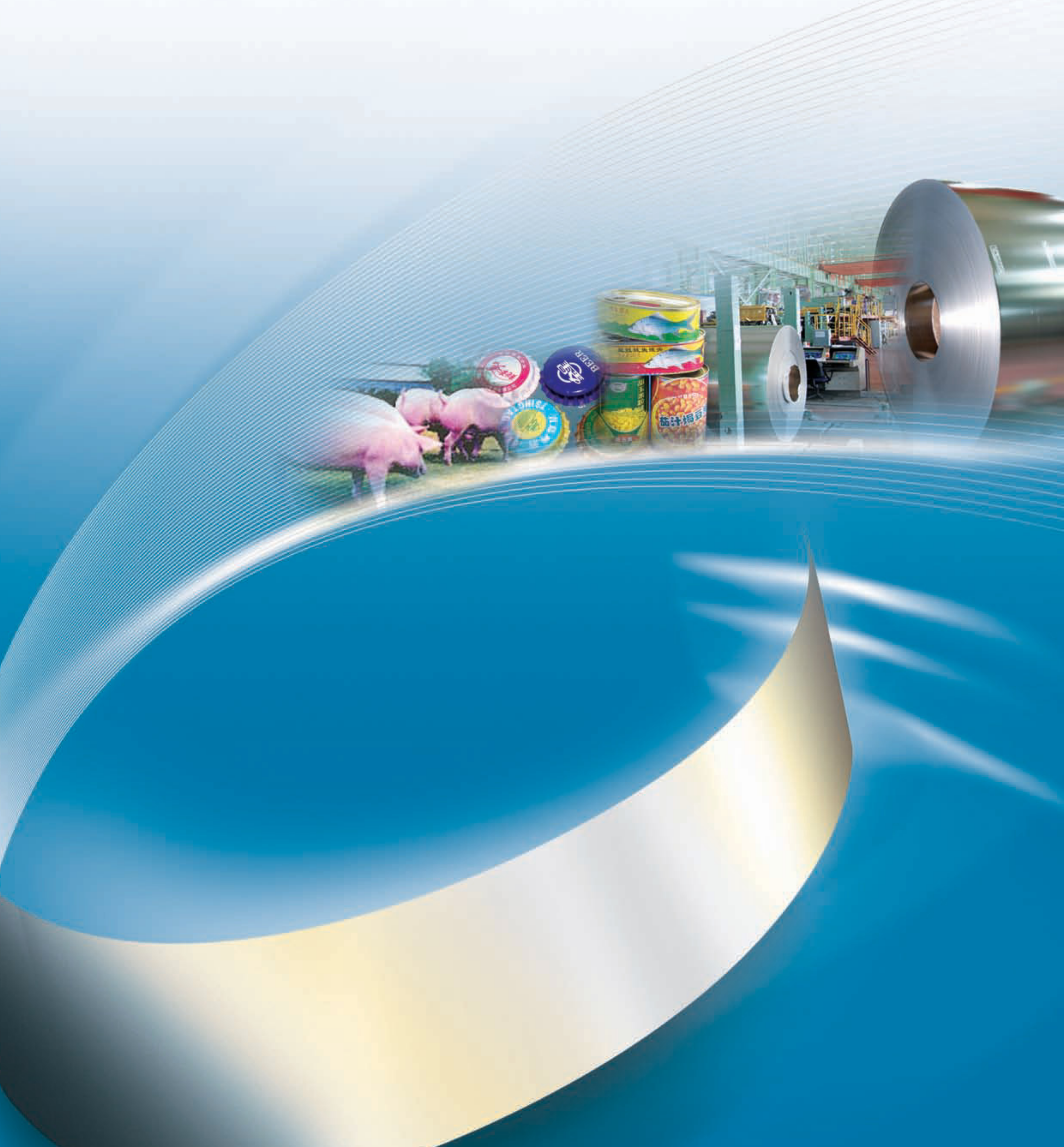
GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

Stock Code 股份代號: 1203



年報 Annual Report 2008

GUANGNAN (HOLDINGS) LIMITED
Annual Report 2008

Contents

Corporate Information

(As at 9 April 2009)

Board of Directors

Executive Directors

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

Non-Executive Directors

HUANG Xiaofeng
LUO Fanyu
HOU Zhuobing

Independent Non-Executive Directors

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

Company Secretary

SUNG Hem Kuen

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

Principal Bankers

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

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

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	3 June 2009 to 5 June 2009
Annual General Meeting	5 June 2009
Final Dividend	HK1.5 cents per share
Payment Date	29 June 2009

Financial Highlights

(Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000	Change
Turnover	**2,979,868**	1,593,460	+87.0%
Profit from operations	**167,287**	109,884	+52.2%
Profit attributable to shareholders	**100,646**	183,809	–45.2%
Basic earnings per share	**11.1 cents**	20.3 cents	–45.3%
Dividend per share			
Interim	**2.0 cents**	2.0 cents	
Proposed final	**1.5 cents**	2.0 cents	
	3.5 cents	4.0 cents	–12.5%
Total assets	**2,682,846**	2,357,589	+13.8%
Shareholders' equity	**1,437,413**	1,301,504	+10.4%

Chairman's Statement

I hereby report to the shareholders that Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK$100,646,000 in 2008, representing a decrease of 45.2% compared with HK$183,809,000 in 2007. The basic earnings per share were HK11.1 cents, representing a decrease of 45.3% from HK20.3 cents in 2007.

Dividend

The board of directors of the Company (the "Board") recommends the payment of a final dividend of HK1.5 cents per share for the year 2008. The final dividend for 2008, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 29 June 2009.

Review

In 2008, consolidated turnover was HK$2,979,868,000, a substantial increase of 87.0% from HK$1,593,460,000 in 2007. Profit from operations was HK$167,287,000, a substantial increase of 52.2% from HK$109,884,000 in 2007. During the year, both tinplating and fresh and live foodstuffs businesses had achieved satisfactory growth.

After the tinplating plant in Qinhuangdao City with an annual production capacity of 250,000 tonnes of tinplates commenced production in February 2008, together with the annual production capacity of our tinplating plant in Zhongshan increasing to 220,000 tonnes, the total production capacity of our tinplating business increased to the current level of 470,000 tonnes of tinplates and 150,000 tonnes of black-plates. Our competitive strengths were further enhanced.

The tinplating market had been very volatile during 2008. At the beginning of the year, the prices of raw materials such as iron ore increased substantially, resulted in the rapid upswing for the prices of iron and steel within a short period. It was until the fourth quarter that the prices of iron and steel slumped after the occurrence of global financial tsunami, which led to great fluctuation in the tinplating market. Through flexible marketing strategies and effective cost control measures, the Group managed to achieve a significant growth for its tinplating business in 2008 in terms of production and sales volume, as well as turnover as compared with 2007.

As to the fresh and live foodstuffs business, the Group successfully embarked on live pigs distribution from mainland China since December 2007, which had become our new source of profit growth. Average overall market share in 2008 was approximately 40%, contributing to desirable and relatively steady earnings of the Group.

Being affected by the global financial tsunami, the price of office units in Hong Kong generally fell during the fourth quarter of 2008. Valuation losses on investment properties of HK$19,429,000 (2007: valuation gains of HK$16,075,000) were recorded in 2008. In addition, there was no non-operating income during the year (2007: HK$40,021,000).

Prospects

Notwithstanding the fact that the global economy will hardly resume its prosperity during 2009, with the government support in enormously driving domestic demand and the policies in stimulating consumption, the economic performance of China as a whole will be better than other countries in the world. Confidence in the market will also recover more rapidly. The tinplating business of the Group is turning around from a high growth period in 2008 to a phase of consolidation in 2009. Faced with the challenges brought by numerous uncertain factors subsisting in the macro-economy, we will continue to focus on various aspects such as cost control, product quality enhancement, new product development, exploration in new product categories, market share expansion, as well as maintaining sufficient liquidity in funds. By leveraging on our sound financial position, together with the ongoing growing live pigs distribution business, it is anticipated that the operating results for 2009 will remain steady and lay a solid foundation for a new cycle of development.

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 to the development of the Group.

Liang Jiang
Chairman

Hong Kong, 9 April 2009

Business Review

Tinplating

Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") is a wholly-owned subsidiary of the Company. The Company holds 66% interests in Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") while the remaining 34% is held by POSCO Co., Ltd.

In 2008, the production volume of tinplates by the Group amounted to 304,225 tonnes, an increase of 62.5% compared with 2007. Of which, 194,484 tonnes and 109,741 tonnes were produced by Zhongyue Tinplate and Zhongyue Posco respectively. A total of 292,398 tonnes of tinplates were sold by the two plants during the year, an increase of 48.0% compared with 2007. The turnover of the tinplating business was HK$2,750,900,000, representing an increase of HK$1,300,775,000 or 89.7% compared with 2007. Profit from operations was HK$67,762,000, a decrease of HK$8,687,000 or 11.4% compared with 2007.

At the beginning of the year, the prices of raw materials such as iron ore increased substantially, resulted in the rapid upswing for the prices of iron and steel within a short period. It was until the fourth quarter of 2008 that the prices of iron and steel slumped. The sales volume and selling price of the Group's tinplate products dropped substantially following the overall decrease in demand from the market. As such, the management has written down its inventories by HK$50,041,000 (2007: HK$Nil), resulted in the decrease in profit from operations of the tinplating business compared with 2007.

After the tinplating plant of Zhongyue Posco commenced production in February 2008, the Group successfully seized the unprecedented opportunities arising in the market, and expanded the export volume significantly. This, together with the continuous enhancement in the product quality of black-plates produced by Zhongyue Tinplate, brought competitive advantages to the Group from the two major tinplating production bases in the northern and southern regions. Synergetic effect was resulted from the complement of resources, contributing to a significant growth in the production and sales volume as well as turnover for the tinplating business. In 2009, the tinplating business will enter into its phase of consolidation. The Group will continue to devote its efforts in widening the purchasing channels, actively reducing costs and enhancing product quality. By leveraging on the existing production capacity, our competitive advantages will be defined. Through the formulation of sales and marketing strategies that monitor the market trend more closely, we will expand our market share in mainland China as well as develop the overseas market, thus increasing the sales volume. We will also refine our internal systems and strengthen team building, so as to enhance the level of management. This lays a solid foundation and will in turn create a broader room for our profit in future.

Fresh and live foodstuffs

Guangnan Hong Company Limited ("Guangnan Hong") is a wholly-owned subsidiary of the Company. Guangnan Hong holds 51% interests in Guangnan Live Pigs Trading Limited.

In 2008, turnover of the fresh and live foodstuffs business amounted to HK$203,626,000, representing an increase of HK$86,469,000 or 73.8% as compared with 2007. The profit from operations was HK$76,808,000, representing a marked increase of 262.1% as compared with HK$21,213,000 in 2007. The growth was mainly attributable to the embarkation on live pigs distribution business since December 2007. Notwithstanding increasing market competition and insufficient enclosure spaces, and the impact on live poultry agency business resulted from the announcement by the Hong Kong government on the arrangements to accept for the return of licences by live poultry retailers in July 2008, the business grew healthily on the back of the tremendous vibrancy of our operations team and the strong support from predominant suppliers.

Property Leasing

The Group's leasing properties mainly included the plant and staff dormitory of Zhongyue Shan Hai Industrial Co., Ltd., and the office units in Hong Kong.

In 2008, turnover from property leasing business of the Group was HK$25,342,000, a decrease of 3.2% as compared with 2007. The profit from operations amounted to HK$14,509,000, a decrease of 13.5% as compared with 2007. In addition, the price of office units in Hong Kong fell generally during the fourth quarter of 2008. Valuation losses on the investment properties of HK$19,429,000 (2007: valuation gains of HK$16,075,000) were included in the consolidated income statement of the Group.

Associates

In 2008, Yellow Dragon Food Industry Co., Limited, a principal associate of the Group, recorded a sales volume of 402,529 tonnes of corn starch, its major products, representing an increase of 2.1% as compared with 2007. Turnover amounted to HK$1,512,791,000 or an increase of 17.9% and its profit attributable to shareholders amounted to HK$41,751,000 or a decrease of HK$10,327,000 or 19.8% as compared with 2007.

Financial Position

As at 31 December 2008, the Group's total assets and total liabilities amounted to HK$2,682,846,000 and HK$1,132,652,000, representing an increase of HK$325,257,000 and HK$164,310,000 respectively compared with the positions at the end of 2007. The net current assets increased from HK$62,478,000 at the end of 2007 to HK$479,403,000 and the current ratio (current assets divided by current liabilities) increased from 1.07 as at the end of 2007 to 1.68.

Liquidity and Financial Resources

As at 31 December 2008, the Group maintained cash and cash equivalent balances of HK$428,009,000, including pledged bank balance of HK$37,566,000. An amount of HK$218,894,000 was denominated in Renminbi and HK$74,791,000 was denominated in United States dollars ("US") while the remaining balance was denominated in Hong Kong dollars. Cash and cash equivalent balances increased by 191.1% from the end of 2007.

As at 31 December 2008, the Group's borrowings comprise 1) bank borrowings of HK$589,564,000 (2007: HK$503,428,000), of which HK$85,043,000 (2007: HK$281,720,000) is unsecured, HK$Nil (2007: HK$168,988,000) is secured by bills receivable, HK$480,000,000 (2007: HK$Nil) is pledged by investment properties in Hong Kong and HK$24,521,000 (2007: HK$52,720,000) is secured by bank deposits of HK$24,515,000 (2007: HK$50,571,000); 2) a loan from immediate holding company of HK$10,000,000 (2007: HK$21,216,000); and 3) a loan from minority shareholder of HK$2,940,000 (2007: HK$Nil). 32.8% of the Group's borrowings (2007: 84.7%) is repayable within one year, and the remaining balance is repayable within three years. Except for the loan from minority shareholder, which is interest-free, all of the borrowings were subject to an annual interest rate of 0.90% to 11.94% (2007: 2.10% to 6.72%). 93.8% of the Group's borrowings was guaranteed by a subsidiary of the Group and the Company. Meanwhile, 4.8% of the Group's borrowings was under a counter-guarantee provided to the Group by a minority shareholder of the Group's non-wholly owned subsidiary.

As at 31 December 2008, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was 12.1% (2007: 29.0%). The decrease was primarily due to the significant net cash inflow from operations during 2008.

As at 31 December 2008, the Group's available banking facilities amounted to HK$774,956,000, of which HK$513,436,000 was utilised banking facilities and HK$261,520,000 was unutilised. 61.9% of the Group's banking facilities was guaranteed by the Company which also provided the investment properties situated in Hong Kong as collateral. 2.2% of the Group's banking facilities was guaranteed by a subsidiary of the Company. Meanwhile, 0.7% of the Group's banking facilities was under a counter-guarantee provided to the Group by a minority shareholder of the Group's non-wholly owned subsidiary. 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, the Group drew loans in the amount of HK$480,000,000 for a term of 3 years, of which HK$160,000,000 was repaid in February 2009. The loans are interest-bearing at floating rates and the interest rate is Hong Kong Interbank Offered Rate + 0.6% per annum. The loans are used to fund the general corporate financing requirements of the Group. The loans not only provided liquidity to the Group at a lower cost, but also created conditions for the Group to seize opportunities arising from the capital market, including the appreciation of Renminbi during the year. After deducting the costs of hedging, a net exchange gain of HK$35,377,000 was made in 2008.

Capital Expenditure

The Group's capital expenditure in 2008 amounted to HK$100,333,000 (2007: HK$415,375,000). After the tinplating plant of Zhongyue Posco commenced production in February 2008, the capital expenditure in 2008 was significantly less than that in 2007. It is expected that the capital expenditure for 2009 will be approximately HK$30,000,000.

Charge on Assets

As at 31 December 2008, certain assets of the Group with an aggregate carrying value of HK$123,477,000 (2007: HK$224,888,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations is in mainland China and Hong Kong. During the year, the exchange rates of Hong Kong Dollars against US Dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the impact of Renminbi against US Dollars, since majority of the Group's sales and purchases are mainly made in Renminbi or US 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 2008, there were forward foreign exchange contracts entered into by the Group to hedge certain foreign currencies loans which amounted to US$3,144,000 (equivalent to HK$24,521,000) (2007: US$3,022,000 and JPY416,371,000 (equivalent to HK$52,720,000 in aggregate)). In addition, as at 31 December 2008, there were forward foreign exchange contracts of HK$114,240,000 and US$33,500,000 (equivalent to HK$375,540,000 in aggregate) (2007: HK$Nil) entered into by the Group to hedge the foreign currency exposure in respect of financing the working capital of certain subsidiaries of the Group in the PRC. Except for the above-mentioned, other borrowings are denominated in the functional currency of the corresponding entities.

Employees and Remuneration Policies

As at 31 December 2008, the Group had a total of 1,172 full-time employees, an increase of 130 from the end of 2007. 81 of the employees were based in Hong Kong and 1,091 were in mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions, and individual performance with reference to the prevailing industry practices. In 2008, 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 operations 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 new share option scheme in December 2008 to encourage excellent participants to continue their contribution to the Group.

Directors' Profile

Executive Directors

Mr. LIANG Jiang, aged 56, was appointed the Chairman and an Executive Director 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"). In February 2009, Mr. Liang was appointed as the deputy general manager of Guangdong Holdings Limited ("Guangdong Holdings"). GDH and Guangdong Holdings are the immediate holding company and the ultimate holding company of the Company respectively. 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 53, was appointed an Executive Director and the Deputy Chairman of the Company in January 2008. He is also the chairman of Guangnan Hong Company 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 44, 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. SUNG Hem Kuen, aged 35, was appointed an Executive Director and the Chief Financial Officer of the Company in April 2008 and a Company Secretary of the Company in June 2008. Mr. Sung graduated from The University of Hong Kong and holds a Bachelor's degree in Business Administration. He has experiences in auditing, accounting and corporate restructuring for over thirteen years. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom. He is also an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Sung has worked in major multinational certified public accountants for over 10 years. He was the assistant chief financial officer of Guangdong Investment Limited ("GDI") before joining the Company.

Non-Executive Directors

Mr. HUANG Xiaofeng, aged 50, was appointed a Non-Executive Director of the Company in October 2008. Mr. Huang graduated from South China Normal University and holds a Bachelor's degree in History. From 1987 to 1999, he worked with the General Office of the Communist Party of China ("CPC") Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the Deputy Director General of the General Office of the CPC Guangzhou Committee and thereafter the Deputy Secretary General of the CPC Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the Deputy Director General of the General Office of the Guangdong Provincial Government and then the Deputy Secretary General of the Guangdong Provincial Government. Mr. Huang was appointed as a director and a deputy general manager of Guangdong Holdings in April 2008 and was subsequently appointed as an executive director and a deputy general manager of GDH. In February 2009, Mr. Huang was appointed general manager of both Guangdong Holdings and GDH. Mr. Huang was also appointed a non-executive director of GDI and Kingway Brewery Holdings Limited ("Kingway Brewery") in June and October 2008 respectively. Both GDI and Kingway Brewery are fellow subsidiaries of the Company. The ordinary shares of GDI and Kingway Brewery are listed on The Stock Exchange of Hong Kong Limited.

Mr. LUO Fanyu, aged 53, 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 Guangdong Enterprises (Holdings) Limited ("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.

Ms. HOU Zhuobing, aged 48, 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. Ms. 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. Ms. 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, Ms. 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 Guangdong Holdings and GDH.

Independent Non-Executive Directors

Mr. Gerard Joseph McMAHON, aged 65, 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 has been appointed non-executive director of a number of publicly listed companies in Hong Kong, Indonesia and Australia since 1997. He is presently chairman of the board of directors and audit committee of Oriental Technologies Investment Limited, a company listed on the Australian Securities Exchange, to which he was appointed on 7 April 2000. Mr. McMahon has retired and ceased to be a non-executive director as well as audit committee member of Quaypoint Corporation Limited, a Hong Kong listed company, on 28 November 2008.

Ms. TAM Wai Chu, Maria, *GBS, J.P., LL.D (Honoris Causa), LL.B. (Hons.), Barrister-at Law*, aged 63, 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 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. Her term of duty as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption ended on 31 December 2008.

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 senior banker 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 Sung Hem Kuen.

The directors ("Directors") of Guangnan (Holdings) Limited (the "Company") submit their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

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 fresh and live 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 results by business segments and by geographical segments during the year are respectively set out in notes 2 and 12 to the financial statements.

Results and Dividends

The Group's consolidated results for the year ended 31 December 2008 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 40 to 121.

An interim dividend of HK2.0 cents (2007: HK2.0 cents) per share was paid on 20 October 2008. The Directors recommended the payment of a final dividend of HK1.5 cents (2007: HK2.0 cents) per share for the year ended 31 December 2008.

The proposed final dividend, if approved at the 2009 Annual General Meeting ("AGM") of the Company, is expected to be paid on 29 June 2009 to shareholders whose names appear on the register of members of the Company on 5 June 2009.

Fixed Assets

Details of movements in the fixed assets of the Group and the Company during the year are set out in notes 13(a) and 13(b) to the financial statements respectively.

Principal Subsidiaries and Associate

Details of the Company's principal subsidiaries and associate as at 31 December 2008 are set out in notes 34 and 36 to the financial statements respectively.

Borrowings and Interest Capitalised

Details of borrowings of the Group and the Company are set out in note 23 to the financial statements. Interest expenses of HK$981,000 (2007: HK$1,057,000) were capitalised by the Group during the year.

Share Capital

Details of the share capital of the Company are set out in note 25(c) to the financial statements.

Reserves

Consolidated profit attributable to equity shareholders of the Company, before dividend, of HK$100,646,000 (2007: HK$183,809,000) have been transferred to reserves. Other movements in the reserves of the Group and the Company during the year are set out in notes 25(a) and 25(b) to the financial statements respectively.

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 29 to the financial statements.

Major Customers and Suppliers

Sales to the largest customer for the year ended 31 December 2008 represented 20.4% of the Group's total sales, and the combined total of sales to the five largest customers accounted for 31.2% of the Group's total sales for the year.

Purchases from the largest supplier for the year ended 31 December 2008 represented 29.3% of the Group's total purchases (not including purchases of capital nature), and the combined total of purchases from the five largest suppliers accounted for 57.2% of the Group's total purchases for the year.

The largest customer and supplier of the Group are POSCO Co., Ltd. ("POSCO") and its subsidiaries. POSCO is a minority shareholder of Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd., a 66% owned subsidiary of the Group. Further details are set out in item 1 of the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" on pages 122 and 123.

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 the major customers and suppliers.

Charitable Donations

During the year, charitable donations made by the Group amounted to HK$112,000 (2007: HK$103,000).

Properties

Particulars of the major properties of the Group are set out on page 124.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five years ended 31 December 2008 is set out on pages 125 and 126.

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 January 2008)*
TAN Yunbiao
SUNG Hem Kuen *(appointed on 17 April 2008)*
TSANG Hon Nam *(resigned on 17 April 2008)*

Non-Executive Directors
HUANG Xiaofeng *(appointed on 29 October 2008)*
ZHAO Leili *(resigned on 12 September 2008)*
LUO Fanyu
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, Ms. 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 101 of the Company's Articles of Association, Messrs. Tan Yunbiao, Gerard Joseph McMahon and Li Kar Keung, Caspar would retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

As at 31 December 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests and short positions in the Company

(A) *Interests in ordinary shares*

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
Liang Jiang	Personal	380,000	Long position	0.042%
Li Li	Personal	1,577,000	Long Position	0.174%
Gerard Joseph McMahon	Personal	100,000	Long position	0.011%
Tam Wai Chu, Maria	Personal	200,000	Long Position	0.022%

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 2008.

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

(i) *Share option schemes adopted on 24 August 2001 and 11 June 2004 ("2001 and 2004 Share Option Schemes")*

Name of Director	Number of share options					Date of grant of share options#	Total consideration paid for share options granted	Exercise period of share options (both days inclusive)##	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2008						
						(DD.MM.YYYY)	*HK$*	*(DD.MM.YYYY)*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Liang Jiang	2,000,000	—	—	—	2,000,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Tan Yunbiao	1,500,000	—	—	—	1,500,000	06.02.2004###	10	06.05.2004 to 05.05.2009	1.582	0.155	—
	2,000,000	—	—	—	2,000,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Luo Fanyu	200,000	—	—	—	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Gerard Joseph McMahon	200,000	—	—	—	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—
Li Kar Keung, Caspar	200,000	—	—	—	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—

Notes to 2001 and 2004 Share Option Schemes:

\# *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.*

\### *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.*

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

Name of Director	Number of share options					Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2008					
						(DD.MM.YYYY)	*HK$*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Liang Jiang	—	2,150,000	—	—	2,150,000	30.12.2008	—	0.75	0.74	—
Li Li	—	1,200,000	—	—	1,200,000	30.12.2008	—	0.75	0.74	—
Tan Yunbiao	—	1,200,000	—	—	1,200,000	30.12.2008	—	0.75	0.74	—
Hou Zhuobing	—	1,000,000	—	—	1,000,000	30.12.2008	—	0.75	0.74	—
Sung Hem Kuen	—	900,000	—	—	900,000	30.12.2008	—	0.75	0.74	—

Notes to 2008 Share Option Scheme:

(a) The option period of all the share options under the 2008 Share Option Scheme granted during the year is 5.5 years from the date of grant.

(b) Any share option under the 2008 Share Option Scheme granted during the year is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options under the 2008 Share Option Scheme granted during the year is as follows:

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

(d) The vesting of the share options under the 2008 Share Option Scheme granted during the year is further subject to the achievement of such performance targets as determined by the board of Directors upon grant and stated in the offer of grant.

(e) The leaver vesting scale of the share options under 2008 Share Option Scheme granted during the year that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

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

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

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

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

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

Interests and short positions in Guangdong Investment Limited

(A) *Interests in ordinary shares*

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
Hou Zhuobing	Personal	32,000	Long position	0.001%

Note: The approximate percentage of interests held was calculated on the basis of 6,161,388,071 ordinary shares of Guangdong Investment Limited ("GDI") in issue as at 31 December 2008.

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

Name of Director	Number of share options					Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options△	Price of ordinary share at date immediately before date of grant△△	Price of ordinary share at date immediately before the exercise date△△
	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2008					
						(DD.MM.YYYY)	*HK$*	*HK$* *(per share)*	*HK$* *(per share)*	*HK$* *(per share)*
Huang Xiaofeng	—	5,700,000	—	—	5,700,000	24.10.2008	—	1.88	1.73	—

Notes to share option scheme adopted by GDI on 24 October 2008 (the "GDI Scheme"):

(a) The option period of all the share options under the GDI Scheme granted during the year is 5.5 years from the date of grant.

(b) Any share option under the GDI Scheme granted during the year is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options under the GDI Scheme granted during the year is as follows:

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

(d) The vesting of the share options under the GDI Scheme granted during the year is further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.

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

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

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

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

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

Interests and short positions in Kingway Brewery Holdings Limited

Interests in ordinary shares

Name of Director	**Capacity/nature of interests**	**Number of ordinary shares held**	**Long/short position**	**Approximate percentage of interests held**
				(Note)
Luo Fanyu	Personal	86,444	Long position	0.005%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited in issue as at 31 December 2008.

Interests and short positions in Guangdong Tannery Limited

Interests in ordinary shares

Name of Director	**Capacity/nature of interests**	**Number of ordinary shares held**	**Long/short position**	**Approximate percentage of interests held**
				(Note)
Luo Fanyu	Personal	70,000	Long position	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 2008.

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 2008, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or 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); (ii) entered 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.

Share Option Schemes of the Company

On 11 June 2004, the Company adopted the 2004 Share Option Scheme and terminated the 2001 Share Option Scheme. Options granted prior to the termination of the 2001 Share Option Scheme remain valid until lapsed.

On 29 December 2008, the Company terminated the 2004 Share Option Scheme and adopted the 2008 Share Option Scheme. Upon termination of the 2004 Share Option Scheme, no further share options will be granted thereunder but in all other respects, the provisions of the 2004 Share Option Scheme shall remain in force and all existing share options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

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, 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, 3,000,000 share options were cancelled and no share options were exercised under the 2001 Share Option Scheme.

During the year, 1,700,000 share options were lapsed, 3,200,000 share options were cancelled and no share options were granted or exercised under the 2004 Share Option Scheme by the Company.

As at 31 December 2008, options were outstanding under the 2001 and 2004 Share Option Schemes entitling the holders to subscribe for 1,500,000 and 5,050,000 ordinary shares of the Company respectively, which represent approximately 0.723% of the issued share capital of the Company as at the date of this report.

2008 Share Option Scheme

The purpose of the 2008 Share Option Scheme is to provide incentives to selected employees, officers and Directors to contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and Directors or to serve such other purposes as the board of Directors of the Company (the "Board") may approve from time to time. Eligible persons of the 2008 Share Option Scheme include the employees, officers or Directors of a member of the Group. The 2008 Share Option Scheme unless otherwise terminated or amended, will remain in force for 10 years from 29 December 2008.

The total number of ordinary shares which may be issued upon exercise of all share options to be granted under the 2008 Share Option Scheme (excluding any which have lapsed) and any other schemes of the Company must not, in aggregate, exceed 10% of the ordinary shares of the Company in issue as at the date of the adoption of the 2008 Share Option Scheme.

The total number of ordinary shares issued and to be issued upon exercise of the share options granted and to be granted under the 2008 Share Option Scheme to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of offer of share options must not exceed 1% of the ordinary shares in issue at such date. Any further grant of share options under the 2008 Share Option Scheme in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a Director or chief executive of the Company, or any of their respective associates, under the 2008 Share Option Scheme must be approved by the Independent Non-Executive Directors of the Company. In addition, any share options granted to an Independent Non-Executive Director of the Company, or any of their respective associates, which would result in the ordinary shares issued and to be issued upon exercise of all share options already granted or to be granted under the 2008 Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the ordinary shares in issue; and (ii) having an aggregate value (based on the closing price of the ordinary shares at the date of grant) in excess of HK$5 million, such grant of options by the Board must be approved by shareholders in general meeting.

An offer of grant of a share option under the 2008 Share Option Scheme may be accepted by the grantee within the period of the time stipulated by the Board, but no later than 14 days from the date of such offer. All share options under the 2008 Share Option Scheme will be unvested share options upon grant which will, subject to a grantee continuing to be an eligible person, vest with the grantee in accordance with the vesting schedules specified in their respective offer of grant. Subject to the rules of the 2008 Share Option Scheme and the relevant offer of the grant of a share option, a vested share option may be exercised in accordance with the terms of the rules of the 2008 Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, which period may commence on the date which is 2 years from the date of grant of the share option but shall end in any event not later than 10 years from the aforesaid date of grant. The exercise of any share option under the 2008 Share Option Scheme may be subject to the achievement of performance targets which may be determined by the Board at its absolute discretion on a case by case basis upon the grant of the relevant share option and stated in the offer of grant of such share option.

The exercise price of the share options under the 2008 Share Option Scheme is determinable by the Board and shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the Company's ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value of the ordinary shares.

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any share option that has not been exercised.

During the year ended 31 December 2008, 9,050,000 share options were granted by the Company under the 2008 Share Option Scheme of which no share options were exercised, lapsed or cancelled.

At 31 December 2008, the Company had 9,050,000 share options outstanding under the 2008 Share Option Scheme, which represented approximately 1% of ordinary shares in issue at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,050,000 additional ordinary shares and increase share capital of HK$4,525,000 and share premium of HK$2,262,500 (before issue expenses).

The total number of ordinary shares which may be issued upon exercise of share options yet to be granted under the 2008 Share Option Scheme (and thus not including those ordinary shares for share options already granted but yet to be exercised under the 2001 and 2004 Share Option Schemes and the 2008 Share Option Scheme) was 74,960,328 which represented approximately 8.28% of the issued share capital of the Company as at the date of this report.

As at 31 December 2008, save as disclosed under "Interests (long positions) in options relating to ordinary shares" on pages 17 and 18, certain employees and other participants 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 and 2008 Share Option Scheme. Each option gives the holder the right to subscribe for one share of par value HK$0.5 each of the Company. Further details are set out in note 24 to the financial statements.

(i) *2001 and 2004 Share Option Schemes*

	Number of share options										
Category	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2008	Date of grant of share options#	Total consideration paid for share options granted	Exercise period of share options (both days inclusive)##	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
						(DD.MM.YYYY)	*HK$*	*(DD.MM.YYYY)*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Employees and other participants	3,000,000	—	—	3,000,000	—	06.02.2004###	10	06.05.2004 to 05.05.2009	1.582	0.155	—
	5,350,000	—	—	4,900,000	450,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	—

Notes to 2001 and 2004 Share Option Schemes:

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.

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.

(ii) *2008 Share Option Scheme*

Category	Number of share options: At 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2008	Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
						(DD.MM.YYYY)	*HK$*	*HK$ (per share)*	*HK$ (per share)*	*HK$ (per share)*
Employees	—	2,600,000	—	—	2,600,000	30.12.2008	—	0.75	0.74	—

Notes to 2008 Share Option Scheme are set out in the "Notes to 2008 Share Option Scheme" in the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report on pages 17 and 18.

(iii) Notes to the reconciliations of share options outstanding during the year under 2001 and 2004 Share Option Schemes and 2008 Share Option Scheme are set out in the "(iii) Notes to the reconciliation of share options outstanding during the year" in the "Director's Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report on page 18.

(iv) In assessing the theoretical aggregate value of the share options granted during the year, the binomial lattice model has been used.

Share options granted during the year ended 31 December 2008:

Date of Grant: 30.12.2008
Exercise Price: HK$0.75 per share

Vesting period	**Exercise period**	**Number of share options granted on 30.12.2008**	**Share options value at 30.12.2008**
(DD.MM.YYYY)	*(DD.MM.YYYY)*		*HK$ (Note (b))*
30.12.2008 to 29.12.2010	30.12.2010 to 29.06.2014	3,620,000	809,794.00
30.12.2008 to 29.12.2011	30.12.2011 to 29.06.2014	2,715,000	610,603.50
30.12.2008 to 29.12.2012	30.12.2012 to 29.06.2014	905,000	203,896.50
30.12.2008 to 29.12.2013	30.12.2013 to 29.06.2014	1,810,000	407,793.00

Notes:

(a) *The closing price of the ordinary shares of the Company immediately before the date on which the share options were granted was HK$0.74.*

(b) *According to the binomial lattice model△, the theoretical aggregate value of the share options was estimated at HK$2,032,087 as at 30 December 2008 when the share options were granted with the following variables and assumptions:*

Risk Free Rate:	*1.194%, being the approximate yield of the 5-year exchange fund note traded on 30.12.2008*
Expected Volatility:	*47.22%, being the annualised volatility of the closing price of the ordinary shares of the Company from 02.07.2003 to 30.12.2008*
Expected Dividend Yield:	*5.41%, being the approximate yield of the ordinary shares of the Company over the period from 01.01.2007 to 31.12.2007*
Expected Life of the Options:	*5.5 years*
Assumptions:	*There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the ordinary shares of the Company over the period from 02.07.2003 to 30.12.2008.*

(c) *Information regarding the treatment of forfeiture of options prior to their expiry is set out in note 1(p)(ii) to the financial statements.*

△ *The binomial lattice model (the "Model") is one of the share option pricing models to estimate the fair value of a share option. It should be noted that the Model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the fair value of the share options derived from the Model should not be interpreted as the market or actual value of share option.*

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, both Mr. Huang Xiaofeng and Mr. Zhao Leili, Directors, are directors of Guangdong Holdings Limited ("Guangdong Holdings") and GDH Limited ("GDH"). Messrs. Liang Jiang and Luo Fanyu, Directors, are 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 fresh and live foodstuffs, development of properties and leasing of properties. Both the Guangdong Holdings Group and the Group have been engaged in the businesses of distribution of fresh and live foodstuffs and properties leasing. However, the Directors are of the view that no direct or indirect competition in any material respect exists between the businesses of the Guangdong Holdings Group and those of the Group.

Mr. Li Li, a Director, is also a director and chairman of Macau Wholesale Market Nam Yue Limited, Nam Yue Food Stuff Aquatics Company Limited and Nam Yue Luen Fung Trading Company Limited, the businesses of which are the operation and management of a wholesale market in Macau for certain fresh and live foodstuffs and the distribution of fresh and live foodstuffs in Macau. Since the aforesaid businesses of the three companies are conducted in Macau, the Directors are of the view that no direct or indirect competition in any material respect exists between the business of the Group and the said three companies.

Save as disclosed above, none of the Directors and their associates (as defined in the Listing Rules) have any other interests in any business which compete, or is likely to compete, with the business of the Group.

Directors' Service Contracts

No directors proposed for re-election at the forthcoming AGM 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 122 and 123.

Substantial Shareholders

As at 31 December 2008, so far as is known to any Directors or chief executives of the Company, the following persons (other than Directors or chief executives of the Company) had, or were taken or deemed to have 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 entered 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)*	537,198,868	Long position	59.32%
GDH Limited ("GDH")	537,198,868	Long position	59.32%

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

Save as disclosed above, as at 31 December 2008, 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 entered 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 122 and 123, 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 2008, 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 expired on 31 December 2008. An amount of HK$21,216,000 was borrowed from GDH during 2007. An amount of HK$11,216,000 was repaid in December 2008 and HK$10,000,000 was renewed under an agreement entered between the Company and GDH on 22 December 2008. The loan was renewed upon normal commercial terms without security and repayable on 30 June 2009. As at 31 December 2008, the principal amount of the loan outstanding was HK$10,000,000. Further details are set out in note 23(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 2008 have been reviewed by the Audit Committee of the Company.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM. 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, 9 April 2009

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 throughout the year ended 31 December 2008.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2008.

Board of Directors

As at 31 December 2008, the board of Directors (the "Board") comprised four Executive Directors, being Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen, three Non-Executive Directors, being Messrs. Huang Xiaofeng and Luo Fanyu and Ms. Hou Zhuobing, and three Independent Non-Executive Directors, being Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. Mr. Li Li was appointed as an Executive Director and the Deputy Chairman on 7 January 2008. Mr. Tsang Hon Nam resigned as an Executive Director and the Chief Financial Officer on 17 April 2008. Mr. Sung Hem Kuen was appointed as an Executive Director and the Chief Financial Officer on 17 April 2008. Mr. Zhao Leili resigned as a Non-Executive Director on 12 September 2008. Mr. Huang Xiaofeng was appointed as a Non-Executive Director on 29 October 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 2008, the Board held five meetings.

Details of Directors' attendance at the annual general meeting (the "AGM"), extraordinary general meeting (the "EGM") and meetings of the Board, the Compensation Committee, the Nomination Committee and the Audit Committee held during the year ended 31 December 2008 are set out below:

	AGM	EGM	Board	Compensation Committee	Nomination Committee	Audit Committee
Executive Directors						
Liang Jiang	1/1	2/2	5/5	4/4	2/2	
Li Li *Note 1*	1/1	2/2	5/5			
Tan Yunbiao	1/1	2/2	5/5	4/4		
Sung Hem Kuen *Note 2*	1/1	2/2	4/4			
Tsang Hon Nam *Note 3*			1/1			
Non-Executive Directors						
Huang Xiaofeng *Note 4*		0/2	1/2			
Zhao Leili *Note 5*	1/1		2/2			
Luo Fanyu	0/1	1/2	4/5			
Hou Zhuobing	1/1	1/2	5/5			
Independent Non-Executive Directors						
Gerard Joseph McMahon	0/1	0/2	4/5	3/4	2/2	5/6
Tam Wai Chu, Maria	1/1	2/2	5/5	4/4	2/2	6/6
Li Kar Keung, Caspar	1/1	2/2	5/5	4/4	2/2	6/6

Notes:

1. *Appointed on 7 January 2008*
2. *Appointed on 17 April 2008*
3. *Resigned on 17 April 2008*
4. *Appointed on 29 October 2008*
5. *Resigned on 12 September 2008*

The Company has received confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahon, Ms. 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 Directors' profile is set out on pages 10 to 12 to the annual report, which demonstrate 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

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after his appointment and shall then be eligible for re-election. Moreover, each Non-Executive Director of the Company will hold office for a specific term expiring on the earlier of either (i) the conclusion of the AGM of the Company in the year of the third anniversary of the appointment or re-election of that Director or (ii) the expiration of the period within which the AGM of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

Remuneration of Directors

The Company established the Compensation Committee in 1999. The authority and duties of the Compensation 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 Compensation 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.

With effect from 10 December 2008, Mr. Liang Jiang and Mr. Tan Yunbiao ceased to be members of the Compensation Committee and it comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Ms. 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 2008, the Compensation Committee held four 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 7 to the financial statements.

Nomination of Directors

The Company established 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 appointing 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, Ms. 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 2008, the Nomination Committee met twice 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 2008 is set out as follows:

Services rendered	**Fee**
	HK$'000
Audit of final results	2,600
Review of interim results	730
Review of continuing connected transactions	200
	3,530

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 Company's Board and senior management and the Audit Committee must meet, at least once a year, with the Company's auditor; 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 Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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 code provisions regarding Audit Committee of Appendix 14 of the Listing Rules.

14. To consider other topics, as defined by the Board.

The Audit Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Ms. 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 2008, the Audit Committee held six meetings, inter alia, to review the 2007 annual results and the 2008 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 2008, the Audit Committee met the external auditor 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 auditor to the shareholders are set out in the Independent Auditor's Report on pages 38 and 39. In preparing the financial statements for the year ended 31 December 2008, 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. Review by Audit Committee and the Board — The Directors review major business and operational activities and financial performance of the Group.

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 2008, 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

KPMG

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 40 to 121, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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 2008 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

9 April 2009

Consolidated Income Statement

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Turnover	2, 12	**2,979,868**	1,593,460
Cost of sales		**(2,719,907)**	(1,415,997)
Gross profit		**259,961**	177,463
Other revenue	3	**13,490**	12,529
Other net income	3	**30,581**	12,623
Distribution costs		**(56,530)**	(29,836)
Administrative expenses		**(76,413)**	(59,812)
Other operating expenses		**(3,802)**	(3,083)
Profit from operations		**167,287**	109,884
Non-operating income	4	**—**	40,021
Valuation (losses)/gains on investment properties		**(19,429)**	16,075
Finance costs	5(a)	**(24,905)**	(11,927)
Share of profits less losses of associates		**16,528**	20,390
Profit before taxation	5	**139,481**	174,443
Income tax	6(a)	**(18,999)**	7,435
Profit for the year		**120,482**	181,878
Attributable to:			
Equity shareholders of the Company	25(a)	**100,646**	183,809
Minority interests	25(a)	**19,836**	(1,931)
Profit for the year		**120,482**	181,878
Dividends payable to equity shareholders of the Company attributable to the year:	10		
Interim dividend declared during the year		**18,112**	18,108
Final dividend proposed after the balance sheet date		**13,584**	18,112
		31,696	36,220
Earnings per share	11		
Basic		**11.1 cents**	20.3 cents
Diluted		**11.1 cents**	20.3 cents

The notes on pages 47 to 121 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Fixed assets			
— Investment properties		262,388	264,224
— Other property, plant and equipment		919,846	858,560
— Interest in leasehold land held for own use under operating leases		107,380	107,100
	13(a)	1,289,614	1,229,884
Interest in associates	15	201,973	199,010
Deferred tax assets	18(b)	9,426	—
		1,501,013	1,428,894
Current assets			
Trading securities	17	2,259	6,399
Inventories	19	401,092	321,343
Trade and other receivables, deposits and prepayments	20	346,489	453,488
Current taxation recoverable	18(a)	151	456
Cash and cash equivalents	21	428,009	147,009
		1,178,000	928,695
Non-current asset classified as held for sale	15	3,833	—
		1,181,833	928,695
Current liabilities			
Trade and other payables	22	481,036	401,731
Bank loans	23(a)	184,521	423,336
Loan from immediate holding company	23(b)	10,000	21,216
Loan from minority shareholder	23(c)	2,940	—
Current taxation payable	18(a)	23,933	19,934
		702,430	866,217
Net current assets		479,403	62,478
Total assets less current liabilities		1,980,416	1,491,372
Non-current liabilities			
Bank loans	23(a)	405,043	80,092
Deferred tax liabilities	18(b)	25,179	22,033
		430,222	102,125
NET ASSETS		1,550,194	1,389,247

	Note	2008 $'000	2007 $'000
CAPITAL AND RESERVES			
Share capital	*25(c)*	**452,802**	452,802
Reserves		**982,135**	848,702
Amounts recognised directly in equity relating to non-current asset held for sale		**2,476**	—
Total equity attributable to equity shareholders of the Company	*25(a)*	**1,437,413**	1,301,504
Minority interests	*25(a)*	**112,781**	87,743
TOTAL EQUITY		**1,550,194**	1,389,247

Approved and authorised for issue by the board of directors on 9 April 2009.

Tan Yunbiao
Director

Sung Hem Kuen
Director

The notes on pages 47 to 121 form part of these financial statements.

Balance Sheet

at 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Fixed assets			
— Investment properties		85,911	103,800
— Other property, plant and equipment		549	800
	13(b)	86,460	104,600
Interest in subsidiaries	14	514,820	481,250
Interest in associates	15	164,278	169,258
		765,558	755,108
Current assets			
Trading securities	17	2,259	6,399
Trade and other receivables, deposits and prepayments	20	21,784	378
Cash and cash equivalents	21	2,010	1,665
		26,053	8,442
Non-current asset classified as held for sale	15	3,880	—
		29,933	8,442
Current liabilities			
Trade and other payables	22	46,185	42,356
Loan from immediate holding company	23(b)	10,000	21,216
		56,185	63,572
Net current liabilities		(26,252)	(55,130)
NET ASSETS		739,306	699,978
CAPITAL AND RESERVES			
Share capital	25(c)	452,802	452,802
Reserves		286,504	247,176
TOTAL EQUITY	25(b)	739,306	699,978

Approved and authorised for issue by the board of directors on 9 April 2009.

Tan Yunbiao
Director

Sung Hem Kuen
Director

The notes on pages 47 to 121 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Total equity at 1 January			
Attributable to equity shareholders of the Company	*25(a)*	**1,301,504**	1,073,269
Minority interests	*25(a)*	**87,743**	37,642
		1,389,247	1,110,911
Net income recognised directly in equity:			
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	*25(a)*	**76,685**	78,063
Profit for the year	*25(a)*	**120,482**	181,878
Total recognised income and expenses for the year		**197,167**	259,941
Attributable to:			
Equity shareholders of the Company		**172,129**	258,040
Minority interests		**25,038**	1,901
		197,167	259,941
Dividends declared during the year	*25(a)*	**(36,224)**	(36,180)
Acquisition of minority interests	*25(a)*	**—**	(37,642)
Movements in equity arising from capital transactions:			
Equity-settled share-based transactions	*25(a)*	**4**	6,375
Capital contributions by minority shareholders	*25(a)*	**—**	85,842
		4	92,217
Total equity at 31 December		**1,550,194**	1,389,247

The notes on pages 47 to 121 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Operating activities					
Profit before taxation		139,481		174,443	
Adjustments for:					
— Finance costs		24,905		11,927	
— Interest income		(6,984)		(3,052)	
— Dividends from listed securities		(353)		(259)	
— Net realised and unrealised loss/(gain) on trading securities		4,140		(3,246)	
— Valuation losses/(gains) on investment properties		19,429		(16,075)	
— Impairment losses on interest in associate		1,087		—	
— Net loss/(gain) on disposal of fixed assets		656		(156)	
— Write-back of impairment losses on trade receivables		—		(90)	
— Impairment losses on trade receivables		23		49	
— Depreciation		78,724		41,667	
— Amortisation of land lease premium		2,847		2,517	
— Share of profits less losses of associates		(16,528)		(20,390)	
— Foreign exchange gain		(22,259)		(1,754)	
— Gain on acquisition of minority interests		—		(40,021)	
— Net loss on forward foreign exchange contracts		1,833		332	
— Equity-settled share-based payment expenses		4		—	
Operating profit before changes in working capital		227,005		145,892	
Increase in inventories		(59,152)		(189,714)	
Decrease/(increase) in trade and other receivables, deposits and prepayments		150,237		(170,930)	
Decrease/(increase) in amounts due from related company		5,931		(7,791)	
Decrease in trade and other payables		(43,212)		(20,398)	
Increase in amount due to related company		143,998		130,352	
Increase/(decrease) in amount due to holding company		20		(48)	
Cash generated from/(used in) operations carried forward		424,827		(112,637)	

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Cash generated from/(used in) operations brought forward		**424,827**		(112,637)	
Interest received		**6,984**		3,052	
Interest paid		**(24,905)**		(11,927)	
Hong Kong Profits Tax refunded/(paid)		**400**		(324)	
PRC income tax refunded		**—**		18,194	
PRC income tax paid		**(23,820)**		(10,900)	
Net cash generated from/(used in) operating activities			**383,486**		(114,542)
Investing activities					
Payment for purchase of fixed assets		**(147,136)**		(417,422)	
Government grant received in relation of fixed assets		**2,520**		—	
Payment for acquisition of minority interests		**—**		(3,890)	
Dividends received from listed securities		**353**		259	
Dividends received from associate		**—**		16,907	
Proceeds on disposal of fixed assets		**57**		7,651	
Net cash used in investing activities			**(144,206)**		(396,495)
Financing activities					
Dividends paid		**(36,224)**		(36,180)	
Proceeds from bank loans		**504,521**		332,390	
Proceeds from loan from immediate holding company		**—**		21,216	
Proceeds from banks on discounted bills		**—**		645,437	
Proceeds from loans from minority shareholder		**11,270**		—	
Repayment of proceeds from banks on discounted bills		**(168,988)**		(558,006)	
Repayment of bank loans		**(255,055)**		—	
Repayment of loan from immediate holding company		**(11,216)**		—	
Repayment of loans from minority shareholder		**(8,330)**		—	
Proceeds from shares issued under share option schemes		**—**		6,375	
Capital contributions by minority shareholders		**—**		85,842	
Decrease/(increase) in pledged bank balances		**18,334**		(55,900)	
Net cash generated from financing activities			**54,312**		441,174
Increase/(decrease) in cash and cash equivalents			**293,592**		(69,863)
Cash and cash equivalents at 1 January			**91,109**		157,737
Effect of foreign exchange rate changes			**5,742**		3,235
Cash and cash equivalents at 31 December	*21*		**390,443**		91,109

The notes on pages 47 to 121 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 a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 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)).

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

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.

1. Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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 30.

(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.

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

1. Significant accounting policies (Continued)

(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, unless it is classified as held for sale (see note 1(v)). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year.

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)), unless it is classified as held for sale (see note 1(v)).

(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 notes 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.

1. Significant accounting policies (Continued)

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance 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).

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)).

1. Significant accounting policies (Continued)

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

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 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.

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.

1. Significant accounting policies (Continued)

(i) Leased assets (Continued)

(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)).

(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;

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)*

— 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; and

— 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 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.

1. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(ii) *Impairment of other assets (Continued)*

— *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.

(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.

1. Significant accounting policies (Continued)

(m) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, 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.

(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 29.

(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.

1. Significant accounting policies (Continued)

(p) Employee benefits (Continued)

(ii) *Share-based payments (Continued)*

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.

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.

1. Significant accounting policies (Continued)

(q) Income tax (Continued)

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 dividends 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

— 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.

1. Significant accounting policies (Continued)

(r) Provisions and contingent liabilities

Provisions are recognised for other 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.

(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.

1. Significant accounting policies (Continued)

(s) Revenue recognition (Continued)

(vi) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(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 of sale are interrupted or complete.

1. Significant accounting policies (Continued)

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) 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;

(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.

1. Significant accounting policies (Continued)

(x) 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. Turnover

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

Turnover represents the sales value of goods, commission income earned from fresh and live foodstuffs distribution 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:

	2008 $'000	2007 $'000
Sales of goods		
— Tinplate products	**2,750,900**	1,450,125
— Fresh and live foodstuffs	**117,441**	99,442
	2,868,341	1,549,567
Commission income from fresh and live foodstuffs distribution	**86,185**	17,715
Rental income from property leasing	**25,342**	26,178
	2,979,868	1,593,460

3. Other revenue and net income

	2008 $'000	2007 $'000
Other revenue		
Sales of scrap materials	**3,720**	6,217
Interest income	**6,984**	3,052
Management income	**—**	199
Dividends from listed securities	**353**	259
Subsidies received	**—**	770
Others	**2,433**	2,032
	13,490	12,529
Other net income		
Net (loss)/gain on disposal of fixed assets	**(656)**	156
Net realised and unrealised (loss)/gain on trading securities	**(4,140)**	3,246
Write-back of impairment losses on trade receivables	**—**	90
Net loss on forward foreign exchange contracts	**(1,833)**	(332)
Net realised and unrealised exchange gain	**37,210**	9,463
	30,581	12,623

4. Non-operating income

	2008 $'000	2007 $'000
Gain on acquisition of minority interests in subsidiaries and dividends payable to the related minority shareholder	**—**	40,021

During 2007, the Group acquired from the minority shareholder the 5% equity interest in each of Zhongshan 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").

5. Profit before taxation

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

	Note	2008 $'000	2007 $'000
(a) Finance costs:			
Interest on bank advances and other borrowings wholly repayable within 5 years		**25,242**	12,464
Interest on loan from immediate holding company		**644**	520
		25,886	12,984
Less: Interest expenses capitalised into construction in progress	*(i)*	**(981)**	(1,057)
		24,905	11,927
(b) Staff costs:			
Net contributions paid to defined contribution plans		**5,757**	3,279
Equity-settled share-based payment expenses		**4**	—
Salaries, wages and other benefits		**87,091**	53,916
		92,852	57,195
(c) Other items:			
Cost of inventories sold	*(ii)*	**2,703,765**	1,412,982
Auditors' remuneration		**3,671**	3,218
Depreciation		**78,724**	41,667
Amortisation of land lease premium		**2,847**	2,517
Impairment losses on interest in associate		**1,087**	—
Impairment losses on trade receivables		**23**	49
Write-down of inventories (note 19(b))		**50,057**	104
Operating lease charges in respect of property rentals		**3,229**	1,538
Rentals receivable from investment properties less direct outgoings of $2,888,000 (2007: $2,444,000)		**(22,454)**	(23,734)

5. Profit before taxation (Continued)

Notes:

(i) *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.*

(ii) *Cost of inventories sold includes $155,512,000 (2007: $48,676,000) relating to write-down of inventories, staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

6. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	Note	**2008 $'000**	2007 $'000
Current tax — Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2007: 17.5%) on the estimated assessable profits for the year		**6,218**	86
(Over)/under-provision in respect of prior years		**(25)**	102
		6,193	188
Current tax — the PRC			
Tax for the year		**20,342**	11,757
Tax refund for re-investment	*(v)*	**—**	(18,194)
		20,342	(6,437)
Deferred tax			
Origination and reversal of temporary differences		**(7,536)**	4,234
Effect of change in tax rates	*(i), (ii)*	**—**	(5,420)
		(7,536)	(1,186)
		18,999	(7,435)

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

(a) Taxation in the consolidated income statement represents: (Continued)

Notes:

(i) In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of these financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated.

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.

(ii) In accordance with the Corporate Income Tax Law of the PRC ("New Tax Law"), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax 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 is gradually changed to the standard rate of 25% over a five-year transition period beginning in year 2008. The impact arising from the change in tax rate is taken into account in the preparation of these financial statements. The details of the tax relief are disclosed in the following notes.

(iii) In 2006, a subsidiary, Zhongyue Tinplate, was granted 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. However, a formal notice on the transitional arrangement under the New Tax Law has not been issued by the relevant tax authorities up to the date of issue of these financial statements. In view of this, Zhongyue Tinplate has adopted the standard PRC Enterprise Income Tax rate of 25% for tax provision purposes for the year ended 31 December 2008 (2007: 10.8%). When the final arrangement is known, any over-provision for income tax expense will be accounted for in future periods.

(iv) Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), being a foreign investment enterprise established in the PRC before the New Tax Law passed on 16 March 2007, has applied for a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. Zhongyue Posco has been informed of the approval verbally by the tax authorities but no formal approval document has been received up to the date of issue of these financial statements. The directors believe that Zhongyue Posco could enjoy such tax benefits and therefore no tax provision has been made for the current year.

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

(a) Taxation in the consolidated income statement represents: (Continued)

Notes: (Continued)

(v) In 2007, the Group 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.

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

In accordance with Caishui (2008) No. 1 issued by State Tax Authorities, undistributed profits from the PRC companies up to 31 December 2007 will be exempted from withholding tax when they are distributed in future. As a result, no provision for withholding tax was made as at 31 December 2007.

In addition, as the Company controls the dividend policy of the PRC subsidiaries and it has determined that the profits of the PRC subsidiaries for the current year will not be distributed in the foreseeable future, no provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries is made as at 31 December 2008. Further details are disclosed in note 18(d).

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

	2008 $'000	2007 $'000
Profit before tax	**139,481**	174,443
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**22,252**	28,123
Tax effect of non-deductible expenses	**9,538**	4,300
Tax effect of non-taxable revenue	**(6,702)**	(11,140)
Tax effect of current year's tax losses not recognised	**102**	1,996
Tax effect of utilisation of previous years' unrecognised tax losses	**(6,166)**	(5,849)
Tax refund for re-investment	**—**	(18,194)
(Over)/under-provision in respect of prior years	**(25)**	102
Effect of change in tax rates on the deferred tax balances	**—**	(6,773)
Actual tax expense/(credit)	**18,999**	(7,435)

7. 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)	2008 Total $'000
Executive directors							
Liang Jiang	—	492	301	660	1,453	1	1,454
Li Li (appointed on 7 January 2008)	—	—	52	524	576	1	577
Tan Yunbiao	—	370	278	1,136	1,784	1	1,785
Sung Hem Kuen (appointed on 17 April 2008)	—	780	25	233	1,038	—*	1,038
Tsang Hon Nam (resigned on 17 April 2008)	—	271	11	223	505	—	505
Non-executive directors							
Huang Xiaofeng (appointed on 29 October 2008)	—	—	—	—	—	—	—
Zhao Leili (resigned on 12 September 2008)	—	—	—	—	—	—	—
Luo Fanyu	—	—	—	—	—	—	—
Hou Zhuobing	—	—	—	—	—	—*	—
Independent non-executive directors							
Gerard Joseph McMahon	—	300	—	—	300	—	300
Tam Wai Chu, Maria	—	300	—	—	300	—	300
Li Kar Keung, Caspar	—	300	—	—	300	—	300
Total	—	2,813	667	2,776	6,256	3	6,259

* *Amount less than $1,000*

7. Directors' remuneration (Continued)

	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 Kar Keung, Caspar	—	300	—	—	300	—	300
Total	—	2,741	447	1,090	4,278	—	4,278

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 options granted, are disclosed under the paragraph "Share Option Schemes of the Company" in the "Report of the Directors" and note 24.

8. Individuals with highest emoluments

Of the five individuals with highest emoluments, three (2007: three) directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2007: two) individuals are as follows:

	2008 $'000	2007 $'000
Basic salaries, allowances and other benefits	798	692
Retirement schemes contributions	314	156
Share-based payments	1	—
Bonus	1,644	1,556
	2,757	2,404

The emoluments of the two (2007: two) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
$		
Nil–1,000,000	—	1
1,000,001–1,500,000	2	1

9. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of $3,903,000 (2007: profit of $28,415,000) which has been dealt with in the financial statements of the Company.

9. Profit attributable to equity shareholders of the Company (Continued)

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

	2008 $'000	2007 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**(3,903)**	28,415
Write-back of impairment losses on interest in subsidiaries	**33,949**	30,779
Final dividend from associate and subsidiary attributable to the profits of the previous financial year, approved and payable/paid during the year	**45,502**	16,907
Company's profit for the year *(note 25(b))*	**75,548**	76,101

10. Dividends

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

	2008 $'000	2007 $'000
Interim dividend declared and paid of 2.0 cents per ordinary share (2007: 2.0 cents per ordinary share)	**18,112**	18,108
Final dividend proposed after the balance sheet date of 1.5 cents per ordinary share (2007: 2.0 cents per ordinary share)	**13,584**	18,112
	31,696	36,220

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

10. Dividends (Continued)

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

	2008 $'000	2007 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.0 cents per ordinary share (2007: 2.0 cents per ordinary share)	**18,112**	18,072

11. 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 $100,646,000 (2007: $183,809,000) and the weighted average of 905,603,000 (2007: 904,079,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at 1 January	**905,603**	901,583
Effect of share options exercised *(notes 24 and 25(d))*	**—**	2,496
Weighted average number of ordinary shares	**905,603**	904,079

11. Earnings per share (Continued)

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2008 is the same as the basic earnings per share as the potential ordinary shares are anti-dilutive.

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)

	2008 '000	2007 '000
Weighted average number of ordinary shares used in the basic earnings per share calculation	**905,603**	904,079
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(note 24)*	**—**	2,369
Weighted average number of ordinary shares (diluted)	**905,603**	906,448

12. 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 mainly used as packaging materials for the food processing manufacturers
Fresh and live foodstuffs	:	Distribution, purchase and sale of fresh and live foodstuffs
Property leasing	:	Leasing of properties to generate rental income

12. Segment reporting (Continued)

Business segments (Continued)

	For the year ended 31 December 2008					
	Tinplating $'000	Fresh and live foodstuffs $'000	Property leasing $'000	Inter-segment elimination $'000	Unallocated $'000	Consolidated $'000
Revenue from external customers	2,750,900	203,626	25,342	—	—	2,979,868
Inter-segment revenue	—	—	186	(186)	—	—
Other revenue from external customers	16,505	964	147	—	26,102	43,718
Total	2,767,405	204,590	25,675	(186)	26,102	3,023,586
Segment result	67,762	76,808	14,509			159,079
Unallocated operating income and expenses						8,208
Profit from operations						167,287
Share of profits less losses of associates	—	—	—	—	16,528	16,528
Valuation losses on investment properties	—	—	(19,429)	—	—	(19,429)
Finance costs						(24,905)
Income tax						(18,999)
Profit after taxation						120,482
Depreciation and amortisation for the year	79,038	367	1,943			
Impairment losses made for the year	—	23	—			
Write-down of inventories for the year	50,041	16	—			

12. Segment reporting (Continued)

Business segments (Continued)

	For the year ended 31 December 2007					
	Tinplating $'000	Fresh and live foodstuffs $'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	—	—	49			
Write-down of inventories for the year	—	104	—			

12. Segment reporting (Continued)

Business segments (Continued)

	2008			
	Tinplating $'000	Fresh and live foodstuffs $'000	Property leasing $'000	Consolidated $'000
Segment assets	**2,052,470**	**103,218**	**285,184**	**2,440,872**
Interest in associates				**201,973**
Unallocated assets				**40,001**
Total assets				**2,682,846**
Segment liabilities	**407,815**	**24,805**	**7,969**	**440,589**
Unallocated liabilities				**692,063**
Total liabilities				**1,132,652**
Capital expenditure incurred during the year	**92,079**	**372**	**7,869**	

	2007			
	Tinplating $'000	Fresh and live foodstuffs $'000	Property leasing $'000	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	

12. Segment reporting (Continued)

Geographical segments

The Group's business participates in three principal economic environments. Hong Kong is the major market for distribution and trading of fresh and live foodstuffs, whereas the PRC (other than Hong Kong) and Asia (excluding the PRC and Hong Kong) are major markets 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.

	2008			
	The PRC $'000	**Hong Kong $'000**	**Asia (excluding the PRC and Hong Kong) $'000**	**Other regions $'000**
Revenue from external customers	**1,765,844**	**278,292**	**827,309**	**108,423**
Segment assets	**2,213,502**	**227,370**	**—**	**—**
Capital expenditure incurred during the year	**99,948**	**372**	**—**	**—**

	2007			
	The PRC $'000	Hong Kong $'000	Asia (excluding the PRC and Hong Kong) $'000	Other regions $'000
Revenue from external customers	1,344,659	119,826	117,736	11,239
Segment assets	1,974,489	174,219	—	—
Capital expenditure incurred during the year	414,437	859	—	—

13. Fixed assets

(a) The Group

	Buildings held for own use $'000	Leasehold improvements $'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 2008	322,417	1,918	278,315	356,784	7,520	966,954	264,224	120,593	1,351,771
Exchange adjustments	17,954	—	17,201	20,473	389	56,017	10,328	4,238	70,583
Additions	26,670	—	61,708	7,823	1,282	97,483	782	2,068	100,333
Disposals	(384)	—	—	(3,982)	(380)	(4,746)	—	—	(4,746)
Transfer in from construction in progress	46,891	—	(343,475)	292,790	—	(3,794)	3,794	—	—
Reclassification to investment properties	—	—	—	—	—	—	2,689	(2,689)	—
Government grant received in relation of fixed assets acquired in prior year	—	—	—	(2,520)	—	(2,520)	—	—	(2,520)
Fair value adjustment	—	—	—	—	—	—	(19,429)	—	(19,429)
At 31 December 2008	413,548	1,918	13,749	671,368	8,811	1,109,394	262,388	124,210	1,495,992
Representing:									
Cost	413,548	1,918	13,749	671,368	8,811	1,109,394	—	124,210	1,233,604
Valuation — 2008	—	—	—	—	—	—	262,388	—	262,388
	413,548	1,918	13,749	671,368	8,811	1,109,394	262,388	124,210	1,495,992
Accumulated depreciation:									
At 1 January 2008	47,652	1,884	—	54,361	4,497	108,394	—	13,493	121,887
Exchange adjustments	2,864	—	—	3,360	239	6,463	—	490	6,953
Charge for the year	18,159	13	—	59,785	767	78,724	—	2,847	81,571
Written back on disposal	(283)	—	—	(3,408)	(342)	(4,033)	—	—	(4,033)
At 31 December 2008	68,392	1,897	—	114,098	5,161	189,548	—	16,830	206,378
Net book value:									
At 31 December 2008	345,156	21	13,749	557,270	3,650	919,846	262,388	107,380	1,289,614

13. Fixed assets (Continued)

(a) The Group (Continued)

	Buildings held for own use $'000	Leasehold improvements $'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

13. 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 2008	1,385	2,500	1,220	5,105	103,800	108,905
Additions	—	14	—	14	—	14
Disposals	—	(1,033)	—	(1,033)	—	(1,033)
Fair value adjustment	—	—	—	—	(17,889)	(17,889)
At 31 December 2008	1,385	1,481	1,220	4,086	85,911	89,997
Representing:						
Cost	1,385	1,481	1,220	4,086	—	4,086
Valuation — 2008	—	—	—	—	85,911	85,911
	1,385	1,481	1,220	4,086	85,911	89,997
Accumulated depreciation:						
At 1 January 2008	1,351	1,962	992	4,305	—	4,305
Charge for the year	12	146	64	222	—	222
Written back on disposal	—	(990)	—	(990)	—	(990)
At 31 December 2008	1,363	1,118	1,056	3,537	—	3,537
Net book value:						
At 31 December 2008	22	363	164	549	85,911	86,460

13. 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 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

13. Fixed assets (Continued)

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

	The Group		The Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
In Hong Kong on long-term leases	**85,911**	103,800	**85,911**	103,800
Elsewhere in the PRC on medium-term leases	**629,013**	542,289	**—**	—
	714,924	646,089	**85,911**	103,800
Representing:				
Land and buildings carried at fair value	**262,388**	264,224	**85,911**	103,800
Buildings carried at cost	**345,156**	274,765	**—**	—
	607,544	538,989	**85,911**	103,800
Interest in leasehold land held for use under operating leases	**107,380**	107,100	**—**	—
	714,924	646,089	**85,911**	103,800

(d) Investment properties of the Group and the Company situated in Hong Kong totalling $85,911,000 (2007: $103,800,000) were revalued at 31 December 2008 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 $176,477,000 (2007: $160,424,000) were revalued at 31 December 2008 by an independent firm of surveyors registered in the PRC, 廣東財興資產評估土地房地產估價有限公司, on an open market value basis.

13. Fixed assets (Continued)

(e) The Group leases out investment properties under operating leases. The leases run for an initial period of 1 to 28 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	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Within 1 year	**22,622**	11,643	**1,450**	2,952
After 1 year but within 5 years	**10,673**	7,174	**—**	1,121
After 5 years	**19,806**	20,483	**—**	—
	53,101	39,300	**1,450**	4,073

14. Interest in subsidiaries

		The Company	
	Note	**2008 $'000**	2007 $'000
Unlisted shares, at cost		**211,409**	211,409
Loans to subsidiaries	*(ii)*	**158,143**	130,928
Amounts due from subsidiaries	*(iii)*	**439,382**	466,976
		808,934	809,313
Less: impairment losses		**(294,114)**	(328,063)
		514,820	481,250

Notes:

(i) *Details of the principal subsidiaries are set out in note 34. Details of company under liquidation which has not been consolidated in the financial statements are set out in note 35.*

(ii) *The loans to subsidiaries are interest-bearing at 2-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC plus 0.5% per annum (2007: 1-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 not expected to be recovered within 1 year.*

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

15. Interest in associates

	The Group		The Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Unlisted shares, at cost	**—**	—	**244,980**	244,980
Share of net assets	**206,893**	199,010	**—**	—
	206,893	199,010	**244,980**	244,980
Less: impairment losses	**(1,087)**	—	**(76,822)**	(75,722)
	205,806	199,010	**168,158**	169,258
Transfer to non-current asset held for sale	**(3,833)**	—	**(3,880)**	—
	201,973	199,010	**164,278**	169,258

An associate, Zhongshan Baoli Food Ltd., is reclassified as non-current asset held for sale as at 31 December 2008 as an agreement was signed by the Company during the year to dispose of its entire equity interest of 30%. An impairment loss of $1,087,000 (2007: $Nil) and $1,100,000 (2007: $Nil) was recognised by the Group and the Company respectively to write down its carrying value to fair value less costs to sell. The transaction was completed in March 2009.

Details of the principal associate, which is incorporated in the PRC, are set out in note 36.

Summary of financial information on associates

	Assets $'000	**Liabilities** $'000	**Equity** $'000	**Revenue** $'000	**Profit after tax** $'000
2008					
100 per cent	**737,066**	**(215,734)**	**521,332**	**1,539,584**	**41,176**
Group's effective interest	**293,169**	**(86,276)**	**206,893**	**613,154**	**16,528**
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

16. Other non-current financial assets

	The Group and the Company	
	2008	2007
	$'000	$'000
Equity securities		
Unlisted equity securities, at cost	**540**	540
Less: impairment losses	**(540)**	(540)
	—	—

17. Trading securities

	The Group and the Company	
	2008	2007
	$'000	$'000
Trading securities (at market value)		
Equity securities listed in Hong Kong	**2,259**	6,399

18. Income tax in the balance sheet

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

	The Group 2008 $'000	2007 $'000
Provision for Hong Kong Profits Tax for the year	**6,218**	86
Provisional Profits Tax paid	**—**	(86)
	6,218	—
Balance of Profits Tax recoverable relating to prior years	**(81)**	(456)
Taxation outside Hong Kong	**17,645**	19,934
	23,782	19,478
Representing:		
Current taxation recoverable	**(151)**	(456)
Current taxation payable	**23,933**	19,934
	23,782	19,478

(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	Write-down of inventories $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 January 2008	10,640	14,259	(2,866)	—	—	22,033
Exchange adjustments	678	694	—	(109)	(7)	1,256
Charged/(credited) to consolidated income statement	1,526	(3,125)	2,569	(8,717)	211	(7,536)
Effect of change in tax rates	1	(165)	164	—	—	—
At 31 December 2008	12,845	11,663	(133)	(8,826)	204	15,753
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 rates	(2,868)	(2,552)	—	—	—	(5,420)
At 31 December 2007	10,640	14,259	(2,866)	—	—	22,033

18. Income tax in the balance sheet (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

The Group

	2008 $'000	2007 $'000
Net deferred tax assets recognised in the consolidated balance sheet	(9,426)	—
Net deferred tax liabilities recognised in the consolidated balance sheet	25,179	22,033
	15,753	22,033

(c) Deferred tax assets not recognised:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Tax losses	374,919	400,893	370,375	393,200

The tax losses do not expire under the current tax legislation, except for an amount of $Nil (2007: $4,144,000), being unrecognised tax losses, which will expire in the coming 5 years.

(d) Deferred tax liabilities not recognised:

At 31 December 2008, deferred tax liabilities of $3,384,000 (2007: $Nil) have not been recognised in respect of the withholding tax payable upon the distribution of the profits of the PRC subsidiaries for the current year as the Company controls the dividend policy of these subsidiaries. It has been determined that it is probable that these retained profits will not be distributed in the foreseeable future.

19. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group 2008 $'000	The Group 2007 $'000
Raw materials, spare parts and consumables	**167,867**	213,805
Work in progress	**21,615**	48,837
Finished goods	**211,610**	58,701
	401,092	321,343

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

	The Group 2008 $'000	The Group 2007 $'000
Carrying amount of inventories sold	**2,653,708**	1,412,878
Write-down of inventories	**50,057**	104
	2,703,765	1,412,982

20. Trade and other receivables, deposits and prepayments

	The Group 2008 $'000	The Group 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Trade debtors	**76,670**	30,768	**32**	27
Bills receivable *(note (ii))*	**196,386**	347,198	**—**	—
Other receivables, deposits and prepayments	**50,421**	67,731	**600**	351
Amount due from associate	**21,152**	—	**21,152**	—
Amounts due from related company *(note (i))*	**1,860**	7,791	**—**	—
	346,489	453,488	**21,784**	378

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

Notes:

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

(ii) At 31 December 2008, bills receivable with carrying amount of $66,176,000 (2007: $Nil) were pledged to a bank in the PRC to obtain banking facilities.

(iii) Included in the trade and other receivables, deposits and prepayments of the Group are balances totalling $226,000 (2007: $810,000) expected to be recovered after one year.

(a) Ageing analysis

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

	The Group		The Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Within 1 month	**162,772**	131,793	**32**	27
1 to 3 months	**65,853**	158,685	**—**	—
More than 3 months but less than 12 months	**46,291**	95,279	**—**	—
	274,916	385,757	**32**	27

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 26(a).

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

(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 management 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	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
At 1 January	**19,209**	19,250	**7,289**	7,240
Impairment losses recognised	**23**	49	**—**	49
Write-back of impairment losses on receivables	**—**	(90)	**—**	—
Uncollectible amounts written off	**(19,209)**	—	**(7,289)**	—
At 31 December	**23**	19,209	**—**	7,289

At 31 December 2008, $23,000 (2007: $19,209,000) and $Nil (2007: $7,289,000) of the Group's and the Company's trade debtors and bills receivable were individually determined to be impaired respectively. The individually impaired receivables relate to customers that are in financial difficulties or have defaulted in payments 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.

20. 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 related company that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Neither past due nor impaired	**272,297**	376,081	**32**	27
Less than 1 month past due	**277**	9,669	**—**	—
1 to 3 months past due	**261**	7	**—**	—
4 to 6 months past due	**2,081**	—	**—**	—
	2,619	9,676	**—**	—
	274,916	385,757	**32**	27

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 any 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.

21. Cash and cash equivalents

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deposits with banks	**149,273**	63,394	**—**	1,003
Cash at bank and in hand	**278,736**	83,615	**2,010**	662
Cash and cash equivalents in the balance sheets	**428,009**	147,009	**2,010**	1,665
Pledged bank balances	**(37,566)**	(55,900)	**—**	—
Cash and cash equivalents in the consolidated cash flow statement	**390,443**	91,109		

22. Trade and other payables

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade creditors	**47,478**	83,502	**29**	29
Bills payable	**—**	11,597	**—**	—
Other payables and accrued charges	**129,632**	152,665	**16,147**	12,449
Amounts due to subsidiaries	**—**	—	**29,989**	29,878
Amounts due to associates	**21**	19	**—**	—
Amount due to related company *(note (i))*	**274,350**	130,352	**—**	—
Amount due to fellow subsidiary	**23,250**	23,250	**—**	—
Amount due to immediate holding company	**20**	—	**20**	—
Derivative financial instruments *(note 26(d))*	**6,285**	346	**—**	—
	481,036	401,731	**46,185**	42,356

22. Trade and other payables (Continued)

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 $1,213,000 (2007: $905,000).*

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

	The Group		The Company	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Due within 1 month or on demand	**263,303**	225,451	**29**	29
Due after 1 month but within 3 months	**58,525**	—	**—**	—
	321,828	225,451	**29**	29

23. Borrowings

	Note	The Group **2008** **$'000**	2007 $'000
(a) Bank loans			
— unsecured	*(i)*	**85,043**	281,720
— secured by bills receivable	*(ii)*	**—**	168,988
— secured by bank deposits	*(iii)*	**24,521**	52,720
— secured by investment properties	*(iv)*	**480,000**	—
		589,564	503,428

23. Borrowings (Continued)

(a) Bank loans (Continued)

At 31 December 2008, the bank loans were repayable as follows:

	The Group 2008 $'000	2007 $'000
Within 1 year or on demand	**184,521**	423,336
After 1 year but with 2 years	**245,043**	—
After 2 years but within 5 years	**160,000**	80,092
	405,043	80,092
	589,564	503,428

Notes:

(i) The unsecured bank loans as at 31 December 2008 are granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group with carrying amounts of $Nil (2007: $80,043,000) and $85,043,000 (2007: $80,092,000) guaranteed by a minority shareholder and Zhongyue Tinplate, a subsidiary of the Group, respectively. As at 31 December 2008, a minority shareholder provided a counter-guarantee to Zhongyue Tinplate of $28,915,000 in relation to these unsecured bank loans.

(ii) At 31 December 2007, the loans were secured by bills receivable with carrying amounts of $168,988,000.

(iii) The loans are secured by bank deposits of $24,515,000 (2007: $50,571,000).

(iv) The loans are guaranteed by the Company which also provided the investment properties situated in Hong Kong with carrying value of $85,911,000 as collateral.

In addition, 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.

Further, the loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2008, none of the covenants relating to the bank loans had been breached.

23. Borrowings (Continued)

	The Group and the Company	
	2008 **$'000**	2007 $'000
(b) Loan from immediate holding company	**10,000**	21,216

The loan is unsecured, interest-bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") + 0.35% per annum (2007: 3-month HIBOR + 0.35% per annum) and repayable on 30 June 2009.

	The Group	
	2008 **$'000**	2007 $'000
(c) Loan from minority shareholder	**2,940**	—

The loan was provided to a non-wholly owned subsidiary of the Group and is unsecured, interest-free and repayable on 31 December 2009. The Group also provided a loan of $3,060,000 to this non-wholly owned subsidiary in proportion to the Group's shareholding.

24. 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 Option 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 5 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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 2001 Share Option Scheme remain valid until lapsed.

On 29 December 2008, the shareholders of the Company passed a resolution to adopt a new share option scheme (the "2008 Share Option Scheme") with terms compatible with modern practice to recruit and retain quality employees to serve the Group on a long-term basis. Eligible participants of the 2008 Share Option Scheme include the Company's directors, senior management personnel or core technical and managerial personnel of the Group.

Pursuant to the 2008 Share Option Scheme, the directors are authorised, at their discretion, to invite any eligible participants of the Company and its subsidiaries to take up options at nil consideration to subscribe for ordinary shares of the Company. Subject to the fulfilment of performance conditions of the Group and the eligible participants, 40%, 30%, 10% and 20% of the options vest after 2, 3, 4 and 5 years from the date of grant respectively. The share options are exercisable within a period of 5.5 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share.

On the same day, the shareholders of the Company also passed a resolution to terminate the 2004 Share Option Scheme. Options previously granted under the 2004 Share Option 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	3 months from the date of grant	5 years
— granted on 9 March 2006	5,300,000	3 months from the date of grant	10 years
— granted on 30 December 2008	6,450,000	Note	5.5 years
Options held by employees and other participants:			
— granted on 6 February 2004	4,820,000	3 months from the date of grant	5 years
— granted on 9 March 2006	6,350,000	3 months from the date of grant	10 years
— granted on 30 December 2008	2,600,000	Note	5.5 years
Total share options	29,020,000		

Note: Subject to the fulfilment of performance conditions of the Group and the eligible participants, 40%, 30%, 10% and 20% of the options vest after 2, 3, 4 and 5 years from the date of grant respectively.

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

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

	2008 Weighted average exercise price	2008 Number of options '000	2007 Weighted average exercise price	2007 Number of options '000
Outstanding at the beginning of the year	**$1.636**	**14,450**	$1.627	19,970
Granted during the year	**$0.750**	**9,050**		—
Lapsed during the year	**$1.660**	**(1,700)**	$1.660	(1,500)
Cancelled during the year	**$1.622**	**(6,200)**		—
Exercised during the year		**—**	$1.586	(4,020)
Outstanding at the end of the year	**$1.125**	**15,600**	$1.636	14,450
Exercisable at the end of the year	**$1.642**	**6,550**	$1.636	14,450

The options outstanding at 31 December 2008 had a weighted average exercise price of $1.125 (2007: $1.636) and a weighted average remaining contractual life of 5.54 years (2007: 6.06 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(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 "Model"). The contractual life of the share option is used as an input into the Model. Expectations of early exercise are incorporated into the Model.

	Options granted on 30 December 2008	Options granted on 9 March 2006
Fair value at measurement date	**$0.22**	$0.29
Share price at the grant date	**$0.74**	$1.64
Exercise price	**$0.75**	$1.66
Expected volatility (expressed as weighted average volatility used in the modelling under the Model)	**47%**	78%
Option life (expressed as weighted average life used in the modelling under the Model)	**5.5 years**	10 years
Expected dividends	**5.410%**	2.564%
Risk-free interest rate (based on Exchange Fund Notes)	**1.194%**	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.

25. 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	Reserves relating to non-current asset held for sale $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2008	452,802	4,423	2,881	657	112,180	107,440	6,428	614,693	—	1,301,504	87,743	1,389,247
Dividends approved in respect of previous year	—	—	—	—	—	—	—	(18,112)	—	(18,112)	—	(18,112)
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	—	—	—	—	71,483	—	—	—	—	71,483	5,202	76,685
Grant of share options	—	—	4	—	—	—	—	—	—	4	—	4
Share options lapsed and cancelled during the year	—	—	(1,426)	—	—	—	—	1,426	—	—	—	—
Transfer of reserves relating to non-current asset held for sale	—	—	—	(657)	(1,061)	—	(758)	—	2,476	—	—	—
Dividends declared in respect of current year	—	—	—	—	—	—	—	(18,112)	—	(18,112)	—	(18,112)
Profit for the year	—	—	—	—	—	—	—	100,646	—	100,646	19,836	120,482
At 31 December 2008	452,802	4,423	1,459	—	182,602	107,440	5,670	680,541	2,476	1,437,413	112,781	1,550,194

	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

25. 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 2008	**452,802**	**4,423**	**2,881**	**107,440**	**132,432**	**699,978**
Dividends approved in respect of previous year	**—**	**—**	**—**	**—**	**(18,112)**	**(18,112)**
Share options lapsed and cancelled during the year	**—**	**—**	**(1,426)**	**—**	**1,426**	**—**
Dividends declared in respect of current year	**—**	**—**	**—**	**—**	**(18,112)**	**(18,112)**
Grant of share options	**—**	**—**	**4**	**—**	**—**	**4**
Profit for the year	**—**	**—**	**—**	**—**	**75,548**	**75,548**
At 31 December 2008	**452,802**	**4,423**	**1,459**	**107,440**	**173,182**	**739,306**
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

25. Capital and reserves (Continued)

(c) Share capital

	2008 Number of shares '000	2008 $'000	2007 Number of shares '000	2007 $'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	**905,603**	**452,802**	901,583	450,792
Exercise of share options	**—**	**—**	4,020	2,010
At 31 December	**905,603**	**452,802**	905,603	452,802

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, no share options were exercised to subscribe for ordinary shares in the Company.

In 2007, 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 was 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).

25. Capital and reserves (Continued)

(e) Nature and purpose of reserves (Continued)

(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 to the effect that such reserve will not be treated as realised profits and will not be distributable unless and until certain conditions have been fulfilled.

(iv) *Exchange reserves*

The exchange reserves comprise 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 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $137,171,000 (2007: $78,532,000).

(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.

25. Capital and reserves (Continued)

(g) Capital management (Continued)

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 realise assets to reduce debt. As at 31 December 2008, the net debt-to-capital ratio of the Group was as follows:

	2008 $'000	2007 $'000
Bank loans	**589,564**	503,428
Loan from immediate holding company	**10,000**	21,216
Loan from minority shareholder	**2,940**	—
Borrowings	**602,504**	524,644
Less: Cash and cash equivalents	**(428,009)**	(147,009)
Net debt	**174,495**	377,635
Equity attributable to equity shareholders of the Company	**1,437,413**	1,301,504
Net debt-to-capital ratio	**12.1%**	29.0%

The Group is required to maintain its equity attributable to equity shareholders at a certain level to comply with covenants as disclosed in note 23(a)(iv). Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Financial instruments

Exposure to credit, liquidity, interest rate, foreign 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 1 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 13.3% (2007: 23.3%) and 34.3% (2007: 43.1%) 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 the Company and a subsidiary to other subsidiaries within the Group are set out in note 23(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables, deposits and prepayments are set out in note 20.

(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 the 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.

26. 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 flow (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 is required to pay:

The Group

	2008					
	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	**589,564**	**(602,568)**	**(193,517)**	**(248,956)**	**(160,095)**	**—**
Loan from immediate holding company	**10,000**	**(10,065)**	**(10,065)**	**—**	**—**	**—**
Loan from minority shareholder	**2,940**	**(2,940)**	**(2,940)**	**—**	**—**	**—**
Trade and other payables	**481,036**	**(481,036)**	**(481,036)**	**—**	**—**	**—**
	1,083,540	**(1,096,609)**	**(687,558)**	**(248,956)**	**(160,095)**	**—**

	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)	—

26. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Group (Continued)

	2008				
	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 26(d)(i))*					
— outflow	**(408,243)**	**(408,243)**	**—**	**—**	**—**
— inflow	**401,957**	**401,957**	**—**	**—**	**—**

	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 26(d)(i))*					
— outflow	(50,456)	(50,456)	—	—	—
— inflow	52,720	52,720	—	—	—

26. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Company

	2008					
	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
Loan from immediate holding company	10,000	(10,065)	(10,065)	—	—	—
Trade and other payables	46,185	(46,185)	(46,185)	—	—	—
	56,185	(56,250)	(56,250)	—	—	—

	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
Loan from immediate holding company	21,216	(22,012)	(22,012)	—	—	—
Trade and other payables	42,356	(42,356)	(42,356)	—	—	—
	63,572	(64,368)	(64,368)	—	—	—

26. 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 have not used 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 and lendings (being interest-bearing borrowings net of cash and cash equivalents and lendings) at the balance sheet date.

The Group

	2008 Effective interest rate per annum	2008 $'000	2007 Effective interest rate per annum	2007 $'000
Fixed rate borrowings:				
Bank loans	7.69%	24,521	4.81%	357,816
Variable rate borrowings:				
Loan from immediate holding company	3-month HIBOR + 0.35%	10,000	3-month HIBOR + 0.35%	21,216
Bank loans	1-month HIBOR + 0.6%	480,000	3-month LIBOR* + 0.3%	65,520
	90% of The People's Bank of China's Base Lending Rate	85,043	90% of The People's Bank of China's Base Lending Rate	80,092
		575,043		166,828
Total borrowings		599,564		524,644
Cash and cash equivalents	0.97%	(428,009)	2.36%	(147,009)
Total net borrowings		171,555		377,635
Fixed rate borrowings as a percentage of total borrowings		4.1%		68.2%

* *London Interbank Offered Rate ("LIBOR")*

26. Financial instruments (Continued)

(c) Interest rate risk (Continued)

(i) *Interest rate profile (Continued)*

The Company

	2008 Effective interest rate per annum	2008 $'000	2007 Effective interest rate per annum	2007 $'000
Variable rate borrowings:				
Loan from immediate holding company	3-month HIBOR + 0.35%	10,000	3-month HIBOR + 0.35%	21,216
Variable rate lendings:				
Loans to subsidiaries	2-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC + 0.5%	(158,143)	1-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC + 0.5%	(130,928)
Cash and cash equivalents	0%	(2,010)	1.49%	(1,665)
Total net lendings		(150,153)		(111,377)

(ii) *Sensitivity analysis*

At 31 December 2008, it is estimated that a general increase of 200 basis points and a general decrease of 15 basis points in interest rates, with all other variables held constant, would have led to a decrease of approximately $6,602,000 and an increase of approximately $495,000 respectively in the Group's profit after tax and retained profits.

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.

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 all financial instruments in existence at that date. The 200 basis points increase and 15 basis points decrease (2007: 100 basis points increase/decrease) represent 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 2007.

26. 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 2008, the Group also had borrowings in foreign currencies. However, forward foreign exchange contracts were entered into by the Group to hedge these foreign currency loans which amounted to US$3,144,000 (equivalent to HK$24,521,000) (2007: US$3,022,000 and JPY416,317,000 (equivalent to HK$52,720,000 in aggregate)).

In addition, as at 31 December 2008, the Group is exposed to currency risk arising from certain inter-company loans amounting to $162,810,000 (2007: $Nil) and $236,932,000 (2007: $Nil) denominated in HKD and USD respectively which are not the functional currency of the subsidiaries in the PRC. There were forward foreign exchange contracts of HK$114,240,000 and US$33,500,000 (equivalent to HK$375,540,000 in aggregate) (2007: HK$Nil) entered into by the Group to hedge against this foreign currency exposure.

Changes in the fair value of forward foreign exchange contracts above are recognised in profit or loss and their net fair value of $6,285,000 (2007: $346,000) at 31 December 2008 was recognised as derivative financial instruments and included in trade and other payables (note 22).

Except for the above-mentioned, other borrowings are denominated in the functional currency of the corresponding entities.

26. 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

	2008			
	Hong Kong Dollars '000	United States Dollars '000	Renminbi '000	Japanese Yen '000
Trade and other receivables, deposits and prepayments	—	5,021	18,695	—
Cash and cash equivalents	38,248	9,588	27	—
Bank loans	—	(3,144)	—	—
Trade and other payables	—	(35,173)	(3,170)	—
Gross exposure arising from recognised assets and liabilities	38,248	(23,708)	15,552	—
Notional amounts of forward foreign exchange contracts	—	3,387	—	—
Overall net exposure	38,248	(20,321)	15,552	—

26. Financial instruments (Continued)

(d) Foreign currency risk (Continued)

(i) *Exposure to currency risk (Continued)*

The Group

	2007			
	Hong Kong Dollars '000	United States Dollars '000	Renminbi '000	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)	—

The Company

	2008		2007	
	United States Dollars '000	**Renminbi '000**	United States Dollars '000	Renminbi '000
Trade and other receivables, deposits and prepayments	**—**	**18,654**	—	6
Cash and cash equivalents	**2**	**—**	3	—
Trade and other payables	**—**	**(3,170)**	—	(3,169)
Overall net exposure	**2**	**15,484**	3	(3,163)

26. Financial instruments (Continued)

(d) Foreign currency risk (Continued)

(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 borrower or the lender, but excludes the borrowings in foreign currencies that are hedged by the forward foreign exchange contracts.

At 31 December 2008, it is estimated that if United States Dollars had weakened/strengthened by 2% (2007: 5%) against Renminbi with all other variables held constant, the Group's profit after tax and retained profits would have been increased/decreased by $3,503,000 (2007: $12,300,000).

At 31 December 2008, it is estimated that if Renminbi had strengthened/weakened by 2% (2007: 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 $504,000 (2007: $136,000).

The analysis is prepared under the assumption that, the pegged rate between the Hong Kong Dollars and the United Stated Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. This 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 all 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 2007.

(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 17).

The Group's listed investments are listed on The Stock Exchange of Hong Kong Limited. 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.

26. Financial instruments (Continued)

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2008, 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.

27. Commitments

(a) Capital commitments outstanding as at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008 **$'000**	2007 $'000
Contracted for	**8,418**	36,016
Authorised but not contracted for	**2,677**	11,827
	11,095	47,843

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2008 **$'000**	2007 $'000
Within 1 year	**1,934**	2,142
After 1 year but within 5 years	**—**	936
	1,934	3,078

The Group leases a number of properties under operating leases. The leases run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 31 December 2008, the Company had committed to provide finance of $6,489,000 (2007: $6,489,000) to an associate of the Group.

28. 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	2008 $'000	2007 $'000
Sales of goods to related companies	*(ii)*	**614,931**	33,097
Commission fees payable to related company	*(ii), (iii)*	**8,630**	—
Purchases of goods from			
— associate		**2,410**	1,289
— related companies	*(ii)*	**1,434,426**	819,629
Purchases of fixed assets and related technical consultation and training services from related company	*(ii)*	**—**	141,643
Provision of electricity/water and leasing services to a fellow subsidiary		**—**	1,179

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 23(b), these balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd and its subsidiaries.

(iii) Commission fees in respect of export distribution services provided to the Group is charged at 1.5% of the contracted prices payable by the overseas customers.

28. 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 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 7 is as follows:

	2008	2007
	$'000	$'000
Short-term employee benefits	**4,689**	2,931
Post-employment benefits	**667**	447
Equity compensation benefits	**3**	—
	5,359	3,378

Total remuneration is included in "staff costs" (see note 5(b)).

29. Retirement benefits 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 2008 was $5,757,000 (2007: $3,302,000). No contribution refunded was forfeited for the year ended 31 December 2008 (2007: $23,000).

30. 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.

30. 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 cash flow 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) *Write-down of 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.

31. Immediate holding and ultimate holding company

The directors consider the immediate holding and ultimate holding company at 31 December 2008 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.

32. Subsequent event

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 10(a).

(Expressed in Hong Kong dollars unless otherwise indicated)

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

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 2008 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 result in a restatement of the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		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

34. List of principal subsidiaries

Particulars of the principal subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2008 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	Subsidiary	Principal activities
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%	—	Inactive
Guangnan Hong Company Limited	Hong Kong	Ordinary	$73,916,728	100%	—	Distribution and sales of foodstuffs

(Expressed in Hong Kong dollars unless otherwise indicated)

34. List of principal subsidiaries (Continued)

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
Guangnan Live Pigs Trading Limited	Hong Kong	Ordinary	$12,000,000	—	51%	Distribution of live pigs
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*

35. List of company under liquidation

Particulars of the company 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	Subsidiary
Guangdong Guangnan Tianmei Food Development Company Limited#	The PRC	N/A	RMB34,820,000	—	55%

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

36. List of principal associate

Particulars of the principal associate at 31 December 2008 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	Subsidiary	Principal activities
Yellow Dragon Food Industry Co., Ltd.*	The PRC	N/A	40%	—	Processing and sale of corn food and feed products

* *an equity joint venture established in the PRC*

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

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 and C 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. Zhongshan Zhongyue Tinplate Industrial Co. Ltd. ("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$1,434,426,000 ("Purchase of Blackplate Transaction"). POSCO is a substantial shareholder of Zhongyue Posco.

   B. 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$18,253,000 ("Sales of Tinplate Transaction by Zhongyue Tinplate"). POSCO-China is a wholly-owned subsidiary of POSCO and is a substantial shareholder of Zhongyue Posco.

   C. Zhongyue Posco supplied tinplates and tinplate related products to POSCO Group in its ordinary course of business and on normal commercial terms for approximately HK$588,048,000 ("Sales of Tinplate Transaction by Zhongyue Posco").

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

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

The Board including the Independent Non-Executive Directors also confirmed that:

(i) the aggregate amount for the year ended 31 December 2008 did not exceed the annual cap amount of HK$2,071,212,000 for the Purchase of Blackplate Transaction as disclosed in the announcement dated 8 January 2007;

(ii) the aggregate amount for the year ended 31 December 2008 did not exceed the annual cap amount of HK$25,061,400 for the Sales of Tinplate Transaction by Zhongyue Tinplate as disclosed in the announcement dated 30 April 2007; and

(iii) the aggregate amount for the year ended 31 December 2008 did not exceed the annual cap amount of HK$836,791,800 for the sales of Tinplate Transactions by Zhongyue Posco as disclosed in the announcement dated 11 December 2007.

The Board 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, a wholly-owned subsidiary of the Company entered into a facility agreement (the "Loan Agreement") for a 3-year term loan facility in the principal amount of up to HK$480,000,000 with two banks (the "Lenders"). It is provided in the Loan Agreement that if 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 Lender(s) is/are entitled to request immediate repayment of the outstanding loans and all accrued interest.

   Save as disclosed above, the Company does not have other disclosure obligations under Rule 13.21 of the Listing Rules.

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.

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
Land, buildings and structure of Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd., No. 3 Zhongyue Road, Economic & Technological Development Zone (East Part), Qinhuangdao City, Hebei, the PRC	Industrial	66%	Medium

Results

	Note	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000 (restated)
		For the year ended 31 December				
Turnover		**2,979,868**	1,593,460	1,221,254	921,217	681,875
Profit from operations		**167,287**	109,884	110,794	80,369	75,279
Non-operating income		**—**	40,021	—	59,746	76,306
Net valuation (losses)/gains on investment properties		**(19,429)**	16,075	23,123	20,497	14,287
Finance costs		**(24,905)**	(11,927)	(2,906)	(396)	(547)
Share of profits less losses of associates		**16,528**	20,390	19,259	20,315	25,477
Profit before taxation		**139,481**	174,443	150,270	180,531	190,802
Income tax		**(18,999)**	7,435	(23,476)	(736)	(28,536)
Profit for the year from continuing operations		**120,482**	181,878	126,794	179,795	162,266
Loss from discontinued operations		**—**	—	—	—	(9,674)
Profit for the year		**120,482**	181,878	126,794	179,795	152,592
Attributable to:						
Equity shareholders of the Company		**100,646**	183,809	121,320	175,759	146,616
Minority interests		**19,836**	(1,931)	5,474	4,036	5,976
Profit for the year		**120,482**	181,878	126,794	179,795	152,592
Earnings per share	*(ii)*					
Basic		**11.1 cents**	20.3 cents	13.5 cents	19.5 cents	16.3 cents
Diluted		**11.1 cents**	20.3 cents	13.5 cents	N/A	N/A
Dividend per share						
Interim		**2.0 cents**	2.0 cents	1.5 cents	—	—
Proposed final		**1.5 cents**	2.0 cents	2.0 cents	1.5 cents	—

Assets and liabilities

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000 (restated)
	As at 31 December				
Fixed assets	**1,289,614**	1,229,884	805,781	434,406	370,808
Interest in associates	**201,973**	199,010	182,434	176,003	169,689
Other non-current assets	**9,426**	—	—	46	202
Net current assets	**479,403**	62,478	144,383	380,978	254,835
Total assets less current liabilities	**1,980,416**	1,491,372	1,132,598	991,433	795,534
Non-current liabilities	**(430,222)**	(102,125)	(21,687)	(12,217)	(9,833)
	1,550,194	1,389,247	1,110,911	979,216	785,701
Share capital	**452,802**	452,802	450,792	450,792	901,583
Reserves	**984,611**	848,702	622,477	499,090	(140,668)
Total equity attributable to equity shareholders of the Company	**1,437,413**	1,301,504	1,073,269	949,882	760,915
Minority interests	**112,781**	87,743	37,642	29,334	24,786
Total equity	**1,550,194**	1,389,247	1,110,911	979,216	785,701

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.

(ii) Earnings per share for 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.