GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

Stock Code 股份代號: 1203

2009

年　報 | Annual Report

GUANGNAN (HOLDINGS) LIMITED

Annual Report 2009

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Corporate Information

(As at 26 March 2010)

BOARD OF DIRECTORS

Executive Directors

LIANG Jiang *(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

AUDIT COMMITTEE

Gerard Joseph McMAHON *(Chairman)*
TAM Wai Chu, Maria
LI Kar Keung, Caspar

COMPENSATION COMMITTEE

LI Kar Keung, Caspar *(Chairman)*
Gerard Joseph McMAHON
TAM Wai Chu, Maria

NOMINATION COMMITTEE

LIANG Jiang *(Chairman)*
Gerard Joseph McMAHON
TAM Wai Chu, Maria
LI Kar Keung, Caspar

COMPANY SECRETARY

LO Wing Suet

AUDITORS

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE INFORMATION

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	26 May 2010 to 28 May 2010
Annual General Meeting	28 May 2010
Final Dividend	HK 3.0 cents per share
Payment Date	28 June 2010

Financial Highlights

(Expressed in Hong Kong dollars)

	For the year ended 31 December		
	2009 $'000	2008 $'000	Change
Turnover	**2,352,103**	2,979,868	-21.1%
Profit from operations	**221,451**	167,287	+32.4%
Profit attributable to shareholders	**180,724**	100,646	+79.6%
Basic earnings per share	**20.0 cents**	11.1 cents	+80.2%
Dividend per share			
Interim	**1.5 cents**	2.0 cents	
Proposed final	**3.0 cents**	1.5 cents	
	4.5 cents	3.5 cents	+28.6%

	At 31 December		
	2009 $'000	2008 $'000	Change
Total assets	**2,542,810**	2,682,846	-5.2%
Shareholders' equity	**1,592,775**	1,437,413	+10.8%
Net asset value per share[1]	**$1.76**	$1.59	+10.7%
Gearing ratio[2]	**5.6%**	12.1%	

Notes:

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

2. $$\frac{\text{Borrowings} - \text{cash and cash equivalents}}{\text{Shareholders' equity}}$$

Chairman's Statement

I am pleased to 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$180,724,000 in 2009, representing a significant increase of 79.6% compared with HK$100,646,000 in 2008. The basic earnings per share were HK 20.0 cents, representing a significant increase of 80.2% from HK 11.1 cents in 2008.

Dividend

The board of directors of the Company (the "Board") recommends the payment of a final dividend of HK 3.0 cents per share for the year 2009. The final dividend for 2009, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 28 June 2010.

Review

During the year, all business segments of the Group were developing while consolidating. In 2009, the consolidated turnover was HK$2,352,103,000, representing a decrease of 21.1% from HK$2,979,868,000 in 2008. Profit from operations was HK$221,451,000, representing an increase of 32.4% from HK$167,287,000 in 2008. Both tinplating and fresh and live foodstuffs businesses had satisfactory development.

In 2009, the Group's tinplating business entered into a phase of consolidation. Despite the substantial decline in the purchase prices of the Group's raw materials and the sales volume and selling prices of the Group's tinplate products at the beginning of the year following the overall decrease in the market demand, the prices and sales volume resumed to a stable level since the second quarter. As downstream customers successively replenished their stocks, the sales volume of the Group's tinplate products also resumed to a normal level. Through flexible marketing strategies and effective cost control measures, the Group recorded significant growth in the profit from operations of the tinplating business.

As to the fresh and live foodstuffs business, in light of the significant fall in the market price of live pigs, its turnover and operating profit decreased as compared to that in 2008. The Group proactively strengthened its communication with the suppliers, industry participants and customers, with emphasis on enhancing its service standard. In 2009, the overall market share in the live pigs import market maintained at above 40%. This contributed to relatively steady earnings of the Group.

The general price of office units in Hong Kong rebounded in 2009 and the Group recorded valuation gains on investment properties of HK$16,118,000. In 2008, as a result of the global financial tsunami, the Group recorded valuation losses on investment properties of HK$19,429,000. In addition, as a result of the decrease in the amount of borrowings and borrowing rates of the Group, finance costs in 2009 fell drastically by 72.8% as compared to that in 2008.

Prospects

In 2010, given the gradual recovery of global economy and the active fiscal policies and moderately loose monetary policies implemented by the PRC government, it is expected that the domestic macro-economy will continue its growth momentum, thereby driving consumption demand. As to the tinplating industry, benefiting from the policies to boost domestic demands, the demand for tinplate products and its downstream foodstuffs products will continue to yield considerable growth. In adhering to the Group's objectives of enhancement, as to the tinplating business, the blackplate manufacturing plant in Zhongshan will further enhance the quality of blackplates and the value added to the products, while the tinplating plant in Qinhuangdao will fully utilise its production capacity to enhance its sales volume, thereby achieving the synergies from resource sharing between the two tinplate production bases in the northern and southern regions and form complementary benefits. The Group will also make great efforts to increase revenue and achieve effective cost control. As to the fresh and live foodstuffs business, the Group will actively capture various business opportunities to build up a solid chain for the fresh and live foodstuffs trading business so as to ensure stable profit contributions. The Group will continue to maximise the returns for its shareholders in the spirit of hard work and aggressive efforts.

Liang Jiang
Chairman

Hong Kong, 26 March 2010

Business Review

Tinplating

Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") while the remaining 34% is held by POSCO Co., Ltd. ("POSCO"), an internationally-renowned iron and steel enterprise. Currently, the annual production capacity of tinplate products and blackplates of the Group are 470,000 tonnes and 150,000 tonnes respectively, of which 220,000 tonnes of tinplate products and 150,000 tonnes of blackplates are from Zhongshan's capacity, whereas 250,000 tonnes of tinplate products are from Qinhuangdao's capacity.

In 2009, the Group produced 268,487 tonnes of tinplate products, represented a decrease of 11.7% as compared to that in 2008. Among which, Zhongyue Tinplate and Zhongyue Posco produced 174,331 tonnes and 94,156 tonnes respectively. Besides, the blackplate manufacturing plant of Zhongyue Tinplate produced 105,643 tonnes of blackplates, an increase of 5.7% as compared to that in 2008, providing a steady supply of raw materials (i.e. blackplates) for its tinplating plant. The Group's tinplating plants in the northern and southern China sold 285,187 tonnes of tinplate products, a decrease of 2.5% as compared to that in 2008, of which, Zhongyue Tinplate and Zhongyue Posco sold 181,709 tonnes and 103,478 tonnes of tinplate products respectively. Turnover was HK$2,145,267,000, a decrease of 22.0% as compared to that in 2008 and profit from operations was HK$153,699,000, an increase of HK$85,937,000 or 126.8% as compared to that in 2008. The tinplating business contributed the largest share to the earnings of the Group and accounted for 91.2% and 69.4% of the Group's turnover and profit from operations respectively.

As a result of the financial tsunami in 2008, the purchase prices of the Group's raw materials and sales volume and selling prices of the Group's tinplate products in the first quarter of 2009 dropped substantially following the overall decrease in the market demand. It was only until the second quarter that the prices of iron and steel resumed to a stable level and iron and steel producers began to increase their selling prices. Accordingly, the amount of write-down of inventory in 2009 was significantly reduced as compared to HK$50,041,000 in 2008. It is expected that the prices of iron and steel will remain volatile for a certain period in future. As downstream customers successively replenished their stocks, the sales volume of the Group's tinplate products also resumed to a normal level. During the year, the Group's tinplating business entered into a phase of consolidation. In order to respond to the crisis, the Group implemented principal strategies of "cost reduction", "quality enhancement", "market price alignment", "aggressively getting sales orders" and "assuring collection of trade debts". In respect of the sales and marketing development, the Group adopted a price setting mechanism that aligned more closely to the market price. Product quality was enhanced with an expansion of product categories. These facilitated in maintaining our sales volume. In addition, the Group insisted on executing the policy of obtaining deposits from customers, so as to assure the collection of trade debts. In terms of cost savings, the Group continued to improve its tendering system and widen its purchasing channels, which proactively reduced purchase costs. Through the comprehensive introduction of Six Sigma methodology in its management, the workflow was optimised. This resulted in minimising unnecessary production costs to the maximum extent and achieving higher efficiency.

Fresh and Live Foodstuffs

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

In 2009, the turnover of the fresh and live foodstuffs business amounted to HK$180,029,000, representing a decrease of 11.6% as compared to that in 2008. Profit from operations was HK$62,440,000, representing a decrease of HK$14,368,000 or 18.7% as compared to that in 2008. With the substantial fall in the market price of live pigs as compared to that in 2008, and the impact on the live poultry agency business resulting from the announcement by the Hong Kong government of the arrangements to accept the return of licences by live poultry retailers in July 2008, both turnover and profit from operations of the fresh and live foodstuffs business fell as compared to that in 2008. Through continuous improvement in the equipment of infrastructure and optimisation of business workflow, the Group proactively strengthened its communication with suppliers, industry participants and customers, enhanced its service standard and widened its sales channels. The overall market share in the live pigs import market remained at above 40%. This contributed to relatively steady earnings of the Group. Currently, the Group is actively negotiating with suppliers and customers for further cooperation in order to build up a solid business chain and enhance its competitiveness.

Property Leasing

The Group's leasing properties mainly include the plant and staff dormitories of Zhongyue Tinplate and Zhongyue Posco, and the office units in Hong Kong. During the year, Zhongyue Tinplate completed the merger with Zhongshan Shanhai Industrial Co., Ltd. and streamlined the Group's business in Zhongshan.

In 2009, turnover from the property leasing business of the Group was HK$26,807,000, an increase of 5.8% as compared to that in 2008. Profit from operations of leasing properties amounted to HK$17,641,000, an increase of 21.6% as compared to that in 2008. In addition, after the general fall in the price of office units in Hong Kong during the fourth quarter of 2008, the price increased with the rebound of asset prices around the world in 2009. Valuation gains on investment properties of HK$16,118,000 (2008: valuation losses of HK$19,429,000) were included in the consolidated income statement of the Group.

Associate

In 2009, Yellow Dragon Food Industry Co., Limited ("Yellow Dragon"), an associate of the Group, recorded a sales volume of 430,656 tonnes in its major product, corn starch, representing an increase of 7.0% as compared to that in 2008. With the substantial fall in the price of the products in 2008, turnover amounted to HK$1,481,193,000, representing a decrease of 2.1% as compared to that in 2008 and its profit attributable to shareholders amounted to HK$32,248,000, representing a decrease of 22.8% as compared to that in 2008.

Financial Position

As at 31 December 2009, the Group's total assets and total liabilities amounted to HK$2,542,810,000 and HK$818,301,000, representing a decrease of HK$140,036,000 and HK$314,351,000 respectively as compared with the positions at the end of 2008. Net current assets decreased from HK$479,403,000 at the end of 2008 to HK$456,595,000 and current ratio (current assets divided by current liabilities) increased from 1.68 as at the end of 2008 to 1.72.

Liquidity and Financial Resources

As at 31 December 2009, the Group maintained cash and cash equivalent balances of HK$380,961,000, including pledged bank balances of HK$246,018,000. An amount of HK$270,593,000 was denominated in Renminbi and HK$45,948,000 was denominated in United States ("US") dollars while the remaining balance was denominated in Hong Kong dollars. Cash and cash equivalent balances decreased by 11.0% from the end of 2008.

As at 31 December 2009, the Group's borrowings comprised 1) bank borrowings of HK$390,940,000 (2008: HK$589,564,000), of which HK$Nil (2008: HK$85,043,000) was unsecured, HK$160,000,000 (2008: HK$480,000,000) was secured by investment properties in Hong Kong and HK$230,940,000 (2008: HK$24,521,000) was secured by bank deposits of HK$233,035,000 (2008: HK$24,515,000); 2) a loan from immediate holding company of HK$Nil (2008: HK$10,000,000); 3) a loan from a minority shareholder of HK$Nil (2008: HK$2,940,000) and 4) loans from a related company of HK$79,560,000 (2008: HK$Nil). 34.0% (2008: 93.8%) of the Group's borrowings was guaranteed by the Company. 66.0% (2008: 32.8%) of the Group's borrowings is repayable within one year, and the remaining balance is repayable within two years (2008: three years). All loans were subject to annual interest rates ranging from 0.28% to 2.30% (2008: 0.90% to 11.94%). The majority of the Group's borrowings bore interests at floating rates. The management pays attention to variations in interest rates.

As at 31 December 2009, 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 5.6% (2008: 12.1%). The decrease was primarily due to the significant net cash inflow from operations during the year. As the amount of borrowings and the borrowing rates of the Group decreased, finance costs in 2009 amounted to HK$6,784,000, representing a substantial decrease of 72.8% as compared to HK$24,905,000 in 2008.

As at 31 December 2009, the Group's available banking facilities amounted to HK$433,000,000, of which HK$223,340,000 was utilised banking facilities and HK$209,660,000 was unutilised. In addition, 37.0% of the Group's banking facilities was guaranteed by the Company which also pledged the investment properties situated in Hong Kong as collateral. The Group's existing cash reserves and available banking facilities, as well as the steady cash flow from operations, are sufficient to meet the Group's debt obligations and working capital requirements.

Capital Expenditure

The Group's capital expenditure in 2009 amounted to HK$39,440,000, representing a substantial decline as compared to HK$100,333,000 in 2008. After the tinplating plant of Zhongyue Posco commenced production in February 2008, the related capital expenditure was significantly reduced. It is expected that the capital expenditure for 2010 will be approximately HK$64,000,000, mainly for the technology improvement projects of the blackplate manufacturing plant of Zhongyue Tinplate to enhance the quality and added value of the blackplates, and for the production speed improvement projects of the tinplate production lines to enhance the tinplate production capacity.

Charges on Assets

As at 31 December 2009, certain assets of the Group with an aggregate carrying value of HK$341,903,000 (2008: HK$123,477,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate Exposure

The majority of the Group's business operations are 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 the majority of the Group's sales and purchases are mainly made in Renminbi and US Dollars, the Group does not have material exposure to foreign exchange.

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 2009, there were forward foreign exchange contracts of US$30,000,000 (equivalent to HK$234,000,000) (2008: US$3,387,000 (equivalent to HK$26,419,000)) entered into by the Group to hedge against foreign currency loans. In addition, as at 31 December 2009, there were forward foreign exchange contracts of US$23,000,000 (equivalent to HK$179,400,000) (2008: HK$114,240,000 and US$33,500,000 (equivalent to HK$375,540,000 in aggregate)) entered into by the Group to hedge against 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 2009, the Group had a total of 1,093 full-time employees, a decrease of 79 from the end of 2008. 80 of the employees were based in Hong Kong and 1,013 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 2009, the Group continued to implement control on the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on the basis of net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted share option schemes to encourage excellent participants to continue their contribution to the Group.

Directors' Profile

Executive Directors

Mr. LIANG Jiang, aged 57, was appointed an Executive Director and the Chairman of the Company in January 2002. He is also the chairman of two subsidiaries, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") 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 Zhanjiang and Foshan 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. Zhongshan Shan Hai Industrial Co., Ltd. ("Shan Hai") was absorbed by Zhongyue Tinplate at the end of 2009 and hence Mr. Liang is no longer the chairman of Shan Hai.

Mr. TAN Yunbiao, aged 45, 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. Shan Hai was absorbed by Zhongyue Tinplate at the end of 2009 and hence Mr. Tan is no longer the director and general manager of Shan Hai. Besides, he is also a director of Zhongyue Posco.

Mr. SUNG Hem Kuen, aged 36, was appointed an Executive Director and the Chief Financial Officer of the Company in April 2008. He acted as a Company Secretary of the Company from June 2008 to April 2009. Mr. Sung graduated from The University of Hong Kong and holds a Bachelor's degree in Business Administration. He has extensive experiences in auditing, accounting and corporate restructuring. 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 a fellow 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 51, was appointed a Non-Executive Director of the Company in October 2008. Mr. Huang graduated from South China Normal University, the PRC and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from the Sun Yat-Sen University, the PRC. 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 54, 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 49, 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 66, 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.

Ms. TAM Wai Chu, Maria, *GBS, J.P., LL.D (Honoris Causa), LL.B. (Hons.), Barrister-at Law*, aged 64, 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 Co., Ltd., Sa Sa International Holdings Limited, Titan Petrochemicals Group Limited and Nine Dragons Paper (Holdings) Limited. Her public duties 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. Ms. Tam is also a member of the Operations Review Committee of the Independent Commission Against Corruption ("ICAC") and a member of the Witness Protection Review Board of the ICAC with effect from 1 January 2010.

Mr. LI Kar Keung, Caspar, aged 56, was appointed an Independent Non-Executive Director of the Company in June 1999. He is the president of a management service 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, Tan Yunbiao and Sung Hem Kuen.

Report of the Directors

The directors (the "Directors") of Guangnan (Holdings) Limited (the "Company") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

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, 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 3 and 12 to the financial statements.

Results and Dividends

The Group's consolidated results for the year ended 31 December 2009 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 127.

An interim dividend of HK 1.5 cents (2008: HK 2.0 cents) per share was paid on 28 October 2009. The Directors recommended the payment of a final dividend of HK 3.0 cents (2008: HK 1.5 cents) per share for the year ended 31 December 2009.

The proposed final dividend, if approved at the 2010 Annual General Meeting ("AGM") of the Company, is expected to be paid on 28 June 2010 to shareholders whose names appear on the register of members of the Company on 28 May 2010.

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 2009 are set out in notes 36 and 38 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. No interest (2008: HK$981,000) was capitalised by the Group during the year.

Share Capital

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

Reserves

Consolidated profit attributable to equity shareholders of the Company of HK$180,724,000 (2008: HK$100,646,000) have been transferred to reserves. Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 25(a) 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 2009 represented 20.9% of the Group's total sales, and the combined total of sales to the five largest customers accounted for 30.4% of the Group's total sales for the year.

Purchases from the largest supplier for the year ended 31 December 2009 represented 44.6% 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 89.3% 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 128 and 129.

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, the Group made no charitable donations (2008: HK$112,000).

Investment Properties

Particulars of the major investment properties of the Group are set out on page 130.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past 5 years ended 31 December 2009 is set out on pages 131 and 132.

Directors

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

Executive Directors

LIANG Jiang
LI Li *(resigned on 5 June 2009)*
TAN Yunbiao
SUNG Hem Kuen

Non-Executive Directors

HUANG Xiaofeng
LUO Fanyu
HOU Zhuobing

Independent Non-Executive Directors

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

Retirement and Re-election of Directors

In accordance with Article 101 of the Company's Articles of Association, Mr. Sung Hem Kuen, Ms. Hou Zhuobing and Ms. Tam Wai Chu, Maria 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 2009, 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 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 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	480,000	Long position	0.053%
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 905,723,285 ordinary shares of the Company in issue as at 31 December 2009.

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

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

Name of Director	Number of share options: At 1 January 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2009	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)*
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 the above share options granted pursuant to the 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 (the "2008 Share Option Scheme")

Name of Director	Number of share options: At 1 January 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2009	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)*
Liang Jiang	2,150,000	–	–	–	2,150,000	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 the above share options granted pursuant to the 2008 Share Option Scheme:

(a) The option period of all the share options is 5.5 years from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options is as follows:

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

(d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of Directors upon grant and stated in the offer of grant.

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

Date on which event occurs	**Percentage Vesting**
On or before the date which is four months after the date of grant	*0%*
After the date which is four months after but 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 6,213,438,071 ordinary shares of Guangdong Investment Limited ("GDI") in issue as at 31 December 2009.

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

Name of Director	Number of share options: At 1 January 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2009	Date of grant of share options	Total consideration paid for share options granted	Exercise price of share options^Δ	Price of ordinary share at date immediately before date of grant^ΔΔ	Price of ordinary share at date immediately before the exercise date^ΔΔ
						(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 the above share options granted pursuant to the share option scheme adopted by GDI on 24 October 2008:

(a) The option period of all the share options is 5.5 years from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options is as follows:

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

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

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

Date on which event occurs	*Percentage Vesting*
On or before the date which is four months after the date of grant	*0%*
After the date which is four months after but 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 2009.

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 537,619,000 ordinary shares of Guangdong Tannery Limited in issue as at 31 December 2009.

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 2009, 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 and short positions which the Directors and 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 5 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 fulltime 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 are 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 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 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 5 trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

During the year, 1,500,000 share options were lapsed and no share options were cancelled nor exercised under the 2001 Share Option Scheme.

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

As at 31 December 2009, options were outstanding under the 2004 Share Option Scheme entitling the holders to subscribe for 5,050,000 ordinary shares of the Company, which represent approximately 0.558% of ordinary shares in issue at that date.

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 5 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 2009, 1,080,000 share options were lapsed, 120,000 share options were exercised and no share options were cancelled nor granted by the Company under the 2008 Share Option Scheme.

At 31 December 2009, the Company had 7,850,000 share options outstanding under the 2008 Share Option Scheme, which represented approximately 0.867% 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 7,850,000 additional ordinary shares and increase share capital of HK$3,925,000 and share premium of HK$1,962,500 (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 2004 Share Option Scheme 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 2009, 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 2004 Share Option Scheme and the 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) 2004 Share Option Scheme

Category	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 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2009						
						(DD.MM.YYYY)	HK$	(DD.MM.YYYY)	HK$ (per share)	HK$ (per share)	HK$ (per share)
Employees	450,000	–	–	–	450,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.660	1.610	–

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

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.

(ii) 2008 Share Option Scheme

Category	Number of share options At 1 January 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2009	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	–
Other participant	1,200,000	–	120,000	1,080,000	–	30.12.2008	–	0.75	0.74	1.01

Notes to the 2008 Share Option Scheme are set out in the "Notes to the above share options granted pursuant to the 2008 Share Option Scheme" in the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report on page 18.

(iii) Notes to the reconciliations of share options outstanding during the year under the 2004 Share Option Scheme and the 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.

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

As at 31 December 2009, Mr. Huang Xiaofeng, a Director, is also a director 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 leasing of properties. Both the Guangdong Holdings Group and the Group have been engaged in the businesses of leasing of properties. 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.

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 128 and 129.

Substantial Shareholders

As at 31 December 2009, 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	59.31%
GDH Limited ("GDH")	537,198,868	Long position	59.31%

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 2009, 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 128 and 129, 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 2009, 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. In June 2009, the remaining amount of HK$10,000,000 was repaid. 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 2009 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, 26 March 2010

Corporate Governance Report

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 2009.

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 ended 31 December 2009.

Board of Directors

As at 31 December 2009, the board of Directors (the "Board") comprised three Executive Directors, being Messrs. Liang Jiang, 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 resigned as an Executive Director and the Deputy Chairman on 5 June 2009.

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 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 2009, the Board held five meetings.

Details of Directors' attendance at the meetings of the Board, the Compensation Committee, the Nomination Committee and the Audit Committee held during the year ended 31 December 2009 are set out below:

	Board	Compensation Committee	Nomination Committee	Audit Committee
Executive Directors				
Liang Jiang	5/5		1/1	
Li Li *(Resigned on 5 June 2009)*	1/1			
Tan Yunbiao	5/5			
Sung Hem Kuen	5/5			
Non-Executive Directors				
Huang Xiaofeng	3/5			
Luo Fanyu	5/5			
Hou Zhuobing	5/5			
Independent Non-Executive Directors				
Gerard Joseph McMahon	5/5	3/3	1/1	6/6
Tam Wai Chu, Maria	5/5	3/3	1/1	6/6
Li Kar Keung, Caspar	5/5	3/3	1/1	6/6

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 Annual General Meeting (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.

The Compensation Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. 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 2009, the Compensation Committee held three 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 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 2009, the Nomination Committee met once to review the structure, size and composition of the Board and to consider, nominate and recommend suitable candidates for appointment and reappointment of Directors.

Auditors' Remuneration

The remuneration of the Company's auditors, Messrs. KPMG, for services rendered in respect of the year ended 31 December 2009 is set out as follows:

Services rendered	Fee
	HK$'000
Audit of final results	2,300
Review of interim results	600
Review of continuing connected transactions	200
Tax advisory	185
	3,285

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 2009, the Audit Committee held six meetings, inter alia, to review the 2008 annual results and the 2009 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 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. During the year ended 31 December 2009, the Audit Committee met the external auditor once 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 2009, 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 2009, 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 127, which comprise the consolidated and Company balance sheets as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, 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 2009 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

26 March 2010

Consolidated Income Statement

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Turnover	*3, 12*	**2,352,103**	2,979,868
Cost of sales		**(2,064,929)**	(2,719,907)
Gross profit		**287,174**	259,961
Other revenue	*4*	**53,141**	13,490
Other net income	*4*	**6,881**	30,581
Distribution costs		**(52,160)**	(56,530)
Administrative expenses		**(71,636)**	(76,413)
Other operating expenses		**(1,949)**	(3,802)
Profit from operations		**221,451**	167,287
Valuation gains/(losses) on investment properties		**16,118**	(19,429)
Finance costs	*5(a)*	**(6,784)**	(24,905)
Share of profits less losses of associates		**12,899**	16,528
Profit before taxation	*5*	**243,684**	139,481
Income tax	*6(a)*	**(40,259)**	(18,999)
Profit for the year		**203,425**	120,482
Attributable to:			
Equity shareholders of the Company		**180,724**	100,646
Minority interests		**22,701**	19,836
Profit for the year		**203,425**	120,482
Earnings per share	*11*		
Basic		**20.0 cents**	11.1 cents
Diluted		**19.9 cents**	11.1 cents

The notes on pages 48 to 127 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10(a).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009 $'000	2008 $'000
Profit for the year	**203,425**	120,482
Other comprehensive income for the year (after taxation):		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	**2,211**	76,685
Reclassification adjustments for amounts transferred to profit or loss:		
– realisation of reserves upon disposal of associate outside Hong Kong	**(1,061)**	–
– realisation of exchange reserves upon deregistration of subsidiary outside Hong Kong	**71**	–
	1,221	76,685
Total comprehensive income for the year	**204,646**	197,167
Attributable to:		
Equity shareholders of the Company	**181,773**	172,129
Minority interests	**22,873**	25,038
Total comprehensive income for the year	**204,646**	197,167

The amount of income tax relating to each component of other comprehensive income for the year is $Nil (2008: $Nil).

The notes on pages 48 to 127 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Fixed assets			
– Investment properties		**282,420**	262,388
– Other property, plant and equipment		**864,613**	919,846
– Interests in leasehold land held for own use under operating leases		**110,655**	107,380
	13(a)	**1,257,688**	1,289,614
Interest in associate	15	**196,772**	201,973
Deferred tax assets	18(b)	**–**	9,426
		1,454,460	1,501,013
Current assets			
Trading securities	17	**–**	2,259
Inventories	19	**200,418**	401,092
Trade and other receivables, deposits and prepayments	20	**506,556**	346,489
Current taxation recoverable	18(a)	**415**	151
Cash and cash equivalents	21	**380,961**	428,009
		1,088,350	1,178,000
Non-current asset classified as held for sale	15	**–**	3,833
		1,088,350	1,181,833
Current liabilities			
Trade and other payables	22	**280,309**	481,036
Bank loans	23(a)	**230,940**	184,521
Loan from immediate holding company	23(b)	**–**	10,000
Loan from a minority shareholder	23(c)	**–**	2,940
Loans from a related company	23(d)	**79,560**	–
Current taxation payable	18(a)	**40,946**	23,933
		631,755	702,430
Net current assets		**456,595**	479,403
Total assets less current liabilities		**1,911,055**	1,980,416
Non-current liabilities			
Bank loans	23(a)	**160,000**	405,043
Deferred tax liabilities	18(b)	**26,546**	25,179
		186,546	430,222
NET ASSETS		**1,724,509**	1,550,194

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
CAPITAL AND RESERVES			
Share capital	*25(b)*	**452,862**	452,802
Reserves		**1,139,913**	982,135
Amounts recognised directly in equity relating to non-current asset held for sale		**–**	2,476
Total equity attributable to equity shareholders of the Company		**1,592,775**	1,437,413
Minority interests		**131,734**	112,781
TOTAL EQUITY		**1,724,509**	1,550,194

Approved and authorised for issue by the board of directors on 26 March 2010.

Tan Yunbiao
Director

Sung Hem Kuen
Director

The notes on pages 48 to 127 form part of these financial statements.

Balance Sheet

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Fixed assets			
– Investment properties		**95,885**	85,911
– Other property, plant and equipment		**392**	549
	13(b)	**96,277**	86,460
Interest in subsidiaries	*14*	**551,889**	514,820
Interest in associate	*15*	**164,278**	164,278
		812,444	765,558
Current assets			
Trading securities	*17*	**–**	2,259
Trade and other receivables, deposits and prepayments	*20*	**17,992**	21,784
Cash and cash equivalents	*21*	**4,950**	2,010
		22,942	26,053
Non-current asset classified as held for sale	*15*	**–**	3,880
		22,942	29,933
Current liabilities			
Trade and other payables	*22*	**19,556**	46,185
Loan from immediate holding company	*23(b)*	**–**	10,000
		19,556	56,185
Net current assets/(liabilities)		**3,386**	(26,252)
NET ASSETS		**815,830**	739,306
CAPITAL AND RESERVES			
Share capital	*25(b)*	**452,862**	452,802
Reserves		**362,968**	286,504
TOTAL EQUITY	*25(a)*	**815,830**	739,306

Approved and authorised for issue by the board of directors on 26 March 2010.

Tan Yunbiao
Director

Sung Hem Kuen
Director

The notes on pages 48 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company										
		Share capital $'000	Share premium $'000	Capital reserve – share options $'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
Balance at 1 January 2009		452,802	4,423	1,459	182,602	107,440	5,670	680,541	2,476	1,437,413	112,781	1,550,194
Changes in equity for 2009:												
Transfer of reserves upon disposal of associate		–	–	–	–	–	–	1,415	(1,415)	–	–	–
Transfer of reserves upon deregistration of subsidiary		–	–	–	–	–	(233)	233	–	–	–	–
Transfer to statutory reserves		–	–	–	–	–	4,866	(4,866)	–	–	–	–
Exercise of share options		60	57	(27)	–	–	–	–	–	90	–	90
Share-based payment expenses for the year		–	–	669	–	–	–	–	–	669	–	669
Dividends declared to a minority shareholder		–	–	–	–	–	–	–	–	–	(3,920)	(3,920)
Dividends approved in respect of previous year	*10(b)*	–	–	–	–	–	–	(13,584)	–	(13,584)	–	(13,584)
Dividends declared in respect of current year	*10(a)*	–	–	–	–	–	–	(13,586)	–	(13,586)	–	(13,586)
Total comprehensive income for the year		–	–	–	2,110	–	–	180,724	(1,061)	181,773	22,873	204,646
Balance at 31 December 2009		452,862	4,480	2,101	184,712	107,440	10,303	830,877	–	1,592,775	131,734	1,724,509

	Note	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
Balance 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
Changes in equity for 2008:													
Dividends approved in respect of previous year	*10(b)*	–	–	–	–	–	–	–	(18,112)	–	(18,112)	–	(18,112)
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	*10(a)*	–	–	–	–	–	–	–	(18,112)	–	(18,112)	–	(18,112)
Total comprehensive income for the year		–	–	–	–	71,483	–	–	100,646	–	172,129	25,038	197,167
Balance 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

The notes on pages 48 to 127 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Operating activities					
Profit before taxation		**243,684**		139,481	
Adjustments for:					
– Finance costs	*5(a)*	**6,784**		24,905	
– Interest income	*4*	**(5,809)**		(6,984)	
– Dividends from listed securities	*4*	**(56)**		(353)	
– Net realised and unrealised (gain)/ loss on trading securities	*4*	**(1,659)**		4,140	
– Valuation (gains)/losses on investment properties	*13(a)*	**(16,118)**		19,429	
– Impairment losses on interest in associate	*5(c)*	**–**		1,087	
– Net loss on disposal of fixed assets	*4*	**453**		656	
– Impairment losses on trade receivables	*5(c)*	**256**		23	
– Depreciation	*13(a)*	**85,885**		78,724	
– Amortisation of land lease premium	*13(a)*	**2,943**		2,847	
– Share of profits less losses of associates		**(12,899)**		(16,528)	
– Foreign exchange gain		**(967)**		(22,259)	
– Gain on disposal of an associate	*4*	**(1,061)**		–	
– Gain on deregistration of a subsidiary	*4*	**(829)**		–	
– Net (gain)/loss on forward foreign exchange contracts	*4*	**(2,373)**		1,833	
– Equity-settled share-based payment expenses	*5(b)*	**669**		4	
Operating profit before changes in working capital		**298,903**		227,005	
Decrease/(increase) in inventories		**201,134**		(59,152)	
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(139,967)**		150,237	
(Increase)/decrease in amount due from a related company		**(21,068)**		5,931	
Increase/(decrease) in trade and other payables		**8,812**		(43,212)	
(Decrease)/increase in amount due to a related company		**(209,902)**		143,998	
(Decrease)/increase in amount due to immediate holding company		**(20)**		20	
Cash generated from operations carried forward		**137,892**		424,827	

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Cash generated from operations brought forward		**137,892**		424,827	
Interest received		**5,809**		6,984	
Interest paid		**(6,784)**		(24,905)	
Hong Kong Profits Tax (paid)/refunded		**(5,824)**		400	
PRC income tax paid		**(5,149)**		(23,820)	
Net cash generated from operating activities			**125,944**		383,486
Investing activities					
Payment for the purchase of fixed assets		**(39,440)**		(147,136)	
Government grant received in relation to fixed assets		**–**		2,520	
Proceeds from disposal of an associate		**3,833**		–	
Proceeds from disposal of listed securities		**3,918**		–	
Dividends received from listed securities		**56**		353	
Dividends received from associate		**21,298**		–	
Proceeds on disposal of fixed assets		**–**		57	
Net cash used in investing activities			**(10,335)**		(144,206)
Financing activities					
Dividends paid to equity shareholders of the Company		**(27,170)**		(36,224)	
Dividends paid to a minority shareholder		**(3,920)**		–	
Proceeds from bank loans		**230,940**		504,521	
Proceeds from loans from a related company		**79,560**		–	
Proceeds from banks on discounted bills		**162,272**		–	
Proceeds from loans from a minority shareholder		**–**		11,270	
Repayment of proceeds from banks on discounted bills		**(162,272)**		(168,988)	
Repayment of bank loans		**(429,564)**		(255,055)	
Repayment of loan from immediate holding company		**(10,000)**		(11,216)	
Repayment of loan from a minority shareholder		**(2,940)**		(8,330)	
Proceeds from shares issued under share option schemes		**90**		–	
(Increase)/decrease in pledged bank deposits		**(208,452)**		18,334	
Net cash (used in)/generated from financing activities			**(371,456)**		54,312
(Decrease)/increase in cash and cash equivalents			**(255,847)**		293,592
Cash and cash equivalents at 1 January			**390,443**		91,109
Effect of foreign exchange rate changes			**347**		5,742
Cash and cash equivalents at 31 December	*21*		**134,943**		390,443

The notes on pages 48 to 127 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associate.

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 their 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 major sources of estimation uncertainty 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 and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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, unless it is classified as held for sale (see note 1(v)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(j)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

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 associate 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, investment in associate is stated at cost less impairment losses (see note 1(j)), unless 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 fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Fair value 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 1(s)(v).

1. Significant accounting policies (Continued)

(e) Other investments in equity securities (Continued)

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

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

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in 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 and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. 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).

(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.

1. Significant accounting policies (Continued)

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

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

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalisation 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.

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 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 (see note 1(j)(ii)), and trade and other receivables, deposits and prepayments 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 investments in associates recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

- For unquoted equity securities, other current receivables and other financial assets 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 carried at cost 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.

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 fair value less costs to sell 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 the 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).

1. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(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 1(j)(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.

1. Significant accounting policies (Continued)

(k) Inventories (Continued)

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

(l) Trade and other receivables, deposits and prepayments

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

(m) 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 contributions to retirement benefits schemes is set out in note 29.

1. Significant accounting policies (Continued)

(p) Employee benefits (Continued)

(ii) Share-based payments

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting 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 the 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

1. Significant accounting policies (Continued)

(q) Income tax (Continued)

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

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

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

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

1. Significant accounting policies (Continued)

(q) Income tax (Continued)

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.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

1. Significant accounting policies (Continued)

(r) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) 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

Revenue is measured at the fair value of the consideration received or receivable. 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.

1. Significant accounting policies (Continued)

(s) Revenue recognition (Continued)

(v) Interest income

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

(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 from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(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 closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

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 amounts 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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following of these developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

2. Changes in accounting policies (Continued)

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments are consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 12). Corresponding amounts have been presented on a basis consistent with the revised segment information.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 26(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

– The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

2. Changes in accounting policies (Continued)

– The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions for the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Turnover

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

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

	2009 **$'000**	2008 $'000
Sales of goods		
– Tinplate products	**2,145,267**	2,750,900
– Fresh and live foodstuffs	**108,788**	117,441
	2,254,055	2,868,341
Commission income from the distribution of fresh and live foodstuffs	**71,241**	86,185
Rental income from property leasing	**26,807**	25,342
	2,352,103	2,979,868

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2009, revenue from sales of tinplate products to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately $490,851,000 (2008: $614,931,000). Details of concentrations of credit risk are set out in note 26(a).

Further details regarding the Group's principal activities are disclosed in note 12 to these financial statements.

4. Other revenue and net income

	2009 $'000	2008 $'000
Other revenue		
Sales of scrap materials	5,092	3,720
Interest income	5,809	6,984
Dividends from listed securities	56	353
Subsidies received (note)	37,564	–
Others	4,620	2,433
	53,141	13,490
Other net income		
Net loss on disposal of fixed assets	(453)	(656)
Net realised and unrealised gain/(loss) on trading securities	1,659	(4,140)
Gain on disposal of an associate	1,061	–
Gain on deregistration of a subsidiary	829	–
Net gain/(loss) on forward foreign exchange contracts	2,373	(1,833)
Net realised and unrealised exchange gain	1,412	37,210
	6,881	30,581

Note: The amounts mainly represent subsidies granted to a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") by the local government authority in the PRC for its continuous contribution to the development of the metal-plating industry.

5. Profit before taxation

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

	Note	2009 $'000	2008 $'000
(a) Finance costs:			
Interest on bank advances and other borrowings repayable within 5 years		**6,201**	25,242
Interest on loan from immediate holding company		**80**	644
Interest on loans from a related company		**503**	–
		6,784	25,886
Less: Interest expenses capitalised into construction in progress	*(i)*	**–**	(981)
		6,784	24,905
(b) Staff costs:			
Net contributions paid to defined contribution retirement plans		**5,742**	5,757
Equity-settled share-based payment expenses		**669**	4
Salaries, wages and other benefits		**82,681**	87,091
		89,092	92,852
(c) Other items:			
Cost of inventories sold	*(ii), 19(b)*	**2,047,761**	2,703,765
Auditors' remuneration		**3,517**	3,671
Depreciation		**85,885**	78,724
Amortisation of land lease premium		**2,943**	2,847
Impairment losses on interest in associate		**–**	1,087
Impairment losses on trade receivables		**256**	23
Write-down of inventories	*19(b)*	**5,504**	50,057
Operating lease charges in respect of property rentals		**4,140**	3,229
Rentals receivable from investment properties less direct outgoings of $2,533,000 (2008: $2,888,000)		**(24,274)**	(22,454)

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 $117,027,000 (2008: $155,512,000) relating to the 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:

	2009 $'000	2008 $'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax at 16.5% (2008: 16.5%) on the estimated assessable profits for the year	**9,759**	6,218
Under/(over)-provision in respect of prior years	**2,023**	(25)
	11,782	6,193
Current tax – the PRC		
Tax for the year	**17,718**	20,342
Deferred tax		
Origination and reversal of temporary differences	**10,759**	(7,536)
	40,259	18,999

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

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

Notes:

(i) The provision for Hong Kong Profits Tax for 2009 is calculated by applying the estimated annual effective tax rate of 16.5% (2008: 16.5%) to estimated assessable profits for the year ended 31 December 2009. Income tax for subsidiaries established and operating in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant provinces or economic zones in the PRC.

(ii) In accordance with the Corporate Income Tax Law of the PRC ("New Tax Law"), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the income tax rate for certain PRC subsidiaries of the Group is to be changed gradually to the standard rate of 25% over a five-year transition period beginning from 2008. The details of the tax relief are disclosed in the following notes.

(iii) A subsidiary, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate"), is subject to Enterprise Income Tax at the standard rate of 25%. However, it may be eligible for a reduction in tax rate if it fulfils certain criteria set out in the New Tax Law and certain other applicable regulations. It is currently uncertain as to how the fulfilment of these criteria is to be assessed and the tax authorities have not confirmed the application of the reduced tax rate for the years ended 31 December 2008 and 2009. In view of the above factors, Zhongyue Tinplate has adopted the standard tax rate of 25% for tax provision purposes for both years. Any over-provision for income tax expense will be accounted for in the future when the tax position of Zhongyue Tinplate has been confirmed.

(iv) 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 may enjoy such tax benefits and, therefore, no tax provision has been made for the current and prior years.

(v) 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 the Company controls the dividend policy of the PRC subsidiaries and it has determined that the profits of the PRC subsidiaries for the current and prior years will not be distributed in the foreseeable future, no provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries has been made as at 31 December 2009 and 31 December 2008. Further details are disclosed in note 18(d).

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

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

	2009 $'000	2008 $'000
Profit before taxation	**243,684**	139,481
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**39,807**	22,252
Tax effect of non-deductible expenses	**5,166**	9,538
Tax effect of non-taxable revenue	**(4,545)**	(6,702)
Tax effect of current year's tax losses not recognised	**461**	102
Tax effect of utilisation of previous years' unrecognised tax losses	**(2,653)**	(6,166)
Under/(over)-provision in respect of prior years	**2,023**	(25)
Actual tax expense	**40,259**	18,999

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	2009 Total $'000
						(Note)	
Executive directors							
Liang Jiang	–	506	287	480	1,273	176	1,449
Tan Yunbiao	–	383	222	528	1,133	98	1,231
Sung Hem Kuen	–	956	30	211	1,197	74	1,271
Li Li (resigned on 5 June 2009)	–	–	26	263	289	26	315
Non-executive directors							
Huang Xiaofeng	–	–	–	–	–	–	–
Luo Fanyu	–	–	–	–	–	–	–
Hou Zhuobing	–	–	–	–	–	82	82
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	–	2,745	565	1,482	4,792	456	5,248

7. Directors' remuneration (Continued)

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

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 "Share Option Schemes of the Company" section in the "Report of the Directors" and note 24.

8. Individuals with highest emoluments

Of the five individuals with highest emoluments, three (2008: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009 $'000	2008 $'000
Basic salaries, allowances and other benefits	**734**	798
Retirement schemes contributions	**186**	314
Share-based payments	**131**	1
Bonus	**1,250**	1,644
	2,301	2,757

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following band:

	2009 Number of individuals	2008 Number of individuals
$ 1,000,001 – 1,500,000	**2**	2

9. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $17,828,000 (2008: loss of $3,903,000) 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:

	2009 $'000	2008 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**17,828**	(3,903)
Write-back of impairment losses on interest in subsidiaries	**996**	33,949
Dividends from associate and subsidiaries attributable to the profits of the previous financial year, approved and payable/paid during the year	**84,111**	45,502
Company's profit for the year (note 25(a))	**102,935**	75,548

Details of dividends paid and payable to equity shareholders of the Company are set out in note 10.

10. Dividends

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

	2009 $'000	2008 $'000
Interim dividend declared and paid of 1.5 cents per ordinary share (2008: 2.0 cents per ordinary share)	**13,586**	18,112
Final dividend proposed after the balance sheet date of 3.0 cents per ordinary share (2008: 1.5 cents per ordinary share)	**27,172**	13,584
	40,758	31,696

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:

	2009 **$'000**	2008 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents per ordinary share (2008: 2.0 cents per ordinary share)	**13,584**	18,112

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 $180,724,000 (2008: $100,646,000) and the weighted average of 905,635,000 (2008: 905,603,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 **'000**	2008 '000
Issued ordinary shares at 1 January	**905,603**	905,603
Effect of share options exercised (notes 24 and 25(c))	**32**	–
Weighted average number of ordinary shares	**905,635**	905,603

11. Earnings per share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to ordinary equity shareholders of the Company of $180,724,000 and the weighted average number of ordinary shares of 907,642,000, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009 **'000**	2008 '000
Weighted average number of ordinary shares used in the basic earnings per share calculation	**905,635**	905,603
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (note 24)	**2,007**	–
Weighted average number of ordinary shares (diluted)	**907,642**	905,603

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

12. Segment reporting

The Group manages its businesses by divisions, which are organised by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following 3 reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for the food processing manufacturers.
- Fresh and live foodstuffs : this segment distributes, purchases and sells fresh and live foodstuffs.
- Property leasing : this segment leases office and industrial premises to generate rental income.

12. Segment reporting (Continued)

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in these financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

– Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

– Segments assets include all tangible, intangible assets and current assets with the exception of interest in associate, trading securities and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

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

12. Segment reporting (Continued)

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

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

	Tinplating		Fresh and live foodstuffs		Property leasing		Total	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Revenue from external customers	**2,145,267**	2,750,900	**180,029**	203,626	**26,807**	25,342	**2,352,103**	2,979,868
Inter-segment revenue	**–**	–	**–**	–	**–**	186	**–**	186
Reportable segment revenue	**2,145,267**	2,750,900	**180,029**	203,626	**26,807**	25,528	**2,352,103**	2,980,054
Reportable segment profit	**153,699**	67,762	**62,440**	76,808	**17,641**	14,509	**233,780**	159,079
Reportable segment assets	**1,925,397**	2,061,970	**95,070**	103,217	**302,291**	285,182	**2,322,758**	2,450,369
Reportable segment liabilities	**715,402**	1,014,383	**30,328**	31,158	**31,077**	32,158	**776,807**	1,077,699
Depreciation and amortisation for the year	**86,269**	79,038	**373**	367	**1,995**	1,943	**88,637**	81,348
Interest income	**5,800**	6,703	**9**	224	**–**	48	**5,809**	6,975
Write-down of inventories	**5,500**	50,041	**4**	16	**–**	–	**5,504**	50,057
Additions to non-current segment assets during the year	**34,726**	92,079	**458**	372	**4,214**	7,869	**39,398**	100,320

12. Segment reporting (Continued)

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

	2009 $'000	2008 $'000
Profit		
Reportable segment profit derived from the Group's external customers	233,780	159,079
Unallocated head office and corporate income and expenses	(12,329)	8,208
Valuation gains/(losses) on investment properties	16,118	(19,429)
Finance costs	(6,784)	(24,905)
Share of profits less losses of associates	12,899	16,528
Consolidated profit before taxation	243,684	139,481
Assets		
Reportable segment assets	2,322,758	2,450,369
Interest in associate	196,772	201,973
Trading securities	–	2,259
Non-current asset classified as held for sale	–	3,833
Unallocated head office and corporate assets	23,280	24,412
Consolidated total assets	2,542,810	2,682,846
Liabilities		
Reportable segment liabilities	776,807	1,077,699
Loan from immediate holding company	–	10,000
Unallocated head office and corporate liabilities	41,494	44,953
Consolidated total liabilities	818,301	1,132,652

12. Segment reporting (Continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and interest in associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, and the location of operations, in the case of interest in associate.

	Revenue from external customers		Specified non-current assets	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Hong Kong (place of domicile)	**238,092**	278,292	**97,379**	87,465
Mainland China	**1,406,241**	1,765,844	**1,357,081**	1,404,122
Asian countries (excluding Mainland China and Hong Kong)	**549,569**	827,309	**–**	–
Other countries	**158,201**	108,423	**–**	–
	2,114,011	2,701,576	**1,357,081**	1,404,122
	2,352,103	2,979,868	**1,454,460**	1,491,587

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	Interests in leasehold land held for own use under operating leases $'000	Total $'000
Cost or valuation:									
At 1 January 2009	413,548	1,918	13,749	671,368	8,811	1,109,394	262,388	124,210	1,495,992
Exchange adjustments	633	–	21	1,338	12	2,004	281	114	2,399
Additions	3,432	–	4,387	24,478	–	32,297	1,854	5,289	39,440
Disposals	–	–	–	(2,884)	(210)	(3,094)	–	–	(3,094)
Transfer in from construction in progress	1,441	–	(6,680)	2,415	–	(2,824)	2,824	–	–
Reclassification	(10,468)	–	–	10,679	–	211	(1,045)	834	–
Fair value adjustment	–	–	–	–	–	–	16,118	–	16,118
At 31 December 2009	408,586	1,918	11,477	707,394	8,613	1,137,988	282,420	130,447	1,550,855
Representing:									
Cost	408,586	1,918	11,477	707,394	8,613	1,137,988	–	130,447	1,268,435
Valuation – 2009	–	–	–	–	–	–	282,420	–	282,420
	408,586	1,918	11,477	707,394	8,613	1,137,988	282,420	130,447	1,550,855
Accumulated depreciation:									
At 1 January 2009	68,392	1,897	–	114,098	5,161	189,548	–	16,830	206,378
Exchange adjustments	31	–	–	528	7	566	–	19	585
Charge for the year	18,734	12	–	66,280	859	85,885	–	2,943	88,828
Written back on disposal	–	–	–	(2,435)	(189)	(2,624)	–	–	(2,624)
At 31 December 2009	87,157	1,909	–	178,471	5,838	273,375	–	19,792	293,167
Net book value:									
At 31 December 2009	321,429	9	11,477	528,923	2,775	864,613	282,420	110,655	1,257,688

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	Interests in leasehold land held for own use under an 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 to fixed assets acquired in the 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)

(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 2009	1,385	1,481	1,220	4,086	85,911	89,997
Additions	–	42	–	42	–	42
Disposals	–	(174)	–	(174)	–	(174)
Fair value adjustment	–	–	–	–	9,974	9,974
At 31 December 2009	1,385	1,349	1,220	3,954	95,885	99,839
Representing:						
Cost	1,385	1,349	1,220	3,954	–	3,954
Valuation – 2009	–	–	–	–	95,885	95,885
	1,385	1,349	1,220	3,954	95,885	99,839
Accumulated depreciation:						
At 1 January 2009	1,363	1,118	1,056	3,537	–	3,537
Charge for the year	13	115	63	191	–	191
Written back on disposal	–	(166)	–	(166)	–	(166)
At 31 December 2009	1,376	1,067	1,119	3,562	–	3,562
Net book value:						
At 31 December 2009	9	282	101	392	95,885	96,277

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 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)

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

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
In Hong Kong on long-term leases	**95,885**	85,911	**95,885**	85,911
Elsewhere in the PRC on medium-term leases	**618,619**	629,013	**–**	–
	714,504	714,924	**95,885**	85,911
Representing:				
Land and buildings carried at fair value	**282,420**	262,388	**95,885**	85,911
Buildings carried at cost	**321,429**	345,156	**–**	–
	603,849	607,544	**95,885**	85,911
Interests in leasehold land held for own use under operating leases	**110,655**	107,380	**–**	–
	714,504	714,924	**95,885**	85,911

(d) Investment properties of the Group and the Company situated in Hong Kong with an aggregate value of $95,885,000 (2008: $85,911,000) were revalued at 31 December 2009 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 $186,535,000 (2008: $176,477,000) were revalued at 31 December 2009 by independent firms of surveyors registered in the PRC, 廣東財興資產評估土地房產估價有限公司 or 秦皇島正揚資產評估事務所, on an open market value basis.

(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 leases upon expiry at which time all terms are renegotiated. None of the leases includes contingent rentals.

13. Fixed assets (Continued)

(e) (Continued)

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

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Within 1 year	**15,674**	22,622	**4,450**	1,450
After 1 year but within 5 years	**16,690**	10,673	**5,602**	–
After 5 years	**18,333**	19,806	**–**	–
	50,697	53,101	**10,052**	1,450

14. Interest in subsidiaries

	Note	The Company	
		2009 $'000	2008 $'000
Unlisted shares, at cost		**211,409**	211,409
Loans to subsidiaries	*(ii)*	**154,998**	158,143
Amounts due from subsidiaries	*(iii)*	**478,600**	439,382
		845,007	808,934
Less: impairment losses		**(293,118)**	(294,114)
		551,889	514,820

Notes:

(i) Details of the principal subsidiaries are set out in note 36. Details of a company under liquidation which has not been consolidated in the financial statements are set out in note 37.

(ii) The loans to subsidiaries are interest-bearing at the 2-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC plus 0.5% per annum (2008: 2-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 associate

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**–**	–	**240,000**	244,980
Share of net assets	**196,772**	206,893	**–**	–
	196,772	206,893	**240,000**	244,980
Less: impairment losses	**–**	(1,087)	**(75,722)**	(76,822)
	196,772	205,806	**164,278**	168,158
Transfer to non-current asset held for sale	**–**	(3,833)	**–**	(3,880)
	196,772	201,973	**164,278**	164,278

As at 31 December 2008, an associate, Zhongshan Baoli Food Ltd., was reclassified as non-current asset held for sale as an agreement was signed by the Company during 2008 to dispose of its entire equity interest of 30%. An impairment loss of $1,087,000 and $1,100,000 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 2009.

Details of the remaining associate, which is incorporated in the PRC, are set out in note 38.

Summary of financial information on associate

	Assets	Liabilities	Equity	Revenue	Profit after taxation
	$'000	$'000	$'000	$'000	$'000
2009					
100 per cent	**715,282**	**(223,352)**	**491,930**	**1,481,193**	**32,248**
Group's effective interest	**286,113**	**(89,341)**	**196,772**	**592,477**	**12,899**
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

16. Other non-current financial assets

	The Group and the Company	
	2009	2008
	$'000	$'000
Equity securities		
Unlisted equity securities, at cost	**540**	540
Less: impairment losses	**(540)**	(540)
	–	–

17. Trading securities

	The Group and the Company	
	2009	2008
	$'000	$'000
Trading securities (at market value)		
Equity securities listed in Hong Kong	**–**	2,259

18. Income tax in the balance sheet

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

	The Group 2009 $'000	2008 $'000
Provision for Hong Kong Profits Tax for the year	**9,759**	6,218
Provisional Profits Tax paid	**(2,496)**	–
	7,263	6,218
Balance of Profits Tax payable/(recoverable) relating to prior years	**4,832**	(81)
Taxation outside Hong Kong	**28,436**	17,645
	40,531	23,782
Representing:		
Current taxation recoverable	**(415)**	(151)
Current taxation payable	**40,946**	23,933
	40,531	23,782

18. Income tax in the balance sheet (Continued)

(b) Deferred tax assets and liabilities recognised:

The Group

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

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation $'000	Revaluation of investment properties $'000	Tax losses $'000	Write-down of inventories $'000	Others $'000	Total $'000
At 1 January 2009	**12,845**	**11,663**	**(133)**	**(8,826)**	**204**	**15,753**
Exchange adjustments	**22**	**20**	**–**	**(7)**	**(1)**	**34**
Charged/(credited) to the consolidated income statement	**1,531**	**3,905**	**(2,056)**	**8,020**	**(641)**	**10,759**
At 31 December 2009	**14,398**	**15,588**	**(2,189)**	**(813)**	**(438)**	**26,546**
At 1 January 2008	10,640	14,259	(2,866)	–	–	22,033
Exchange adjustments	678	694	–	(109)	(7)	1,256
Charged/(credited) to the consolidated income statement	1,526	(3,125)	2,569	(8,717)	211	(7,536)
Effect of change in tax rate	1	(165)	164	–	–	–
At 31 December 2008	12,845	11,663	(133)	(8,826)	204	15,753

	The Group 2009 $'000	The Group 2008 $'000
Net deferred tax assets recognised in the consolidated balance sheet	**–**	(9,426)
Net deferred tax liabilities recognised in the consolidated balance sheet	**26,546**	25,179
	26,546	15,753

18. Income tax in the balance sheet (Continued)

(c) Deferred tax assets not recognised:

	The Group		The Company	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Tax losses	**372,727**	374,919	**367,722**	370,375

The tax losses do not expire under the current tax legislation.

(d) Deferred tax liabilities not recognised:

At 31 December 2009, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to $194,119,000 (2008: $67,686,000). Deferred tax liabilities of $9,706,000 (2008: $3,384,000) have not been recognised in respect of the withholding tax that would be payable upon the distribution of these retained profits 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	
	2009 **$'000**	2008 $'000
Raw materials, spare parts and consumables	**104,405**	167,867
Work in progress	**14,980**	21,615
Finished goods	**81,033**	211,610
	200,418	401,092

19. Inventories (Continued)

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

	The Group	
	2009 $'000	2008 $'000
Carrying amount of inventories sold	**2,042,257**	2,653,708
Write-down of inventories	**5,504**	50,057
	2,047,761	2,703,765

20. Trade and other receivables, deposits and prepayments

		The Group		The Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade debtors		**65,127**	76,670	**28**	32
Bills receivable	*(i)*	**296,419**	196,386	**–**	–
Other receivables, deposits and prepayments		**100,977**	50,421	**454**	600
Amount due from an associate		**17,510**	21,152	**17,510**	21,152
Amount due from a related company	*(ii)*	**22,928**	1,860	**–**	–
Derivative financial instruments		**3,595**	–	**–**	–
		506,556	346,489	**17,992**	21,784

Notes:

(i) At 31 December 2009, bills receivable with carrying amount of $Nil (2008: $66,176,000) were pledged to a bank in the PRC to obtain banking facilities.

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

(iii) Included in the trade and other receivables, deposits and prepayments of the Group are balances totalling $368,000 (2008: $226,000) expected to be recovered after 1 year.

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

(a) Ageing analysis

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

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current	**381,291**	272,297	**28**	32
Less than 1 month past due	**799**	277	**–**	–
1 to 3 months past due	**1,557**	261	**–**	–
More than 3 months but less than 12 months past due	**827**	2,081	**–**	–
Amounts past due	**3,183**	2,619	**–**	–
	384,474	274,916	**28**	32

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).

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
At 1 January	**23**	19,209	**–**	7,289
Impairment losses recognised	**256**	23	**–**	–
Uncollectible amounts written off	**(23)**	(19,209)	**–**	(7,289)
At 31 December	**256**	23	**–**	–

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

(b) Impairment of trade debtors and bills receivable (Continued)

At 31 December 2009, $491,000 (2008: $23,000) of the Group's trade debtors and bills receivable were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $256,000 (2008: $23,000) were recognised. The Group does not hold any collateral over these balances.

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

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

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current	**381,291**	272,297	**28**	32
Less than 1 month past due	**799**	277	**–**	–
1 to 3 months past due	**1,322**	261	**–**	–
More than 3 months but less than 12 months past due	**827**	2,081	**–**	–
Amounts past due	**2,948**	2,619	**–**	–
	384,239	274,916	**28**	32

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. 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 does not hold any collateral over these balances.

21. Cash and cash equivalents

	The Group		The Company	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Deposits with banks	**237,578**	149,273	**–**	–
Cash at bank and in hand	**143,383**	278,736	**4,950**	2,010
Cash and cash equivalents in the balance sheets	**380,961**	428,009	**4,950**	2,010
Pledged bank deposits	**(246,018)**	(37,566)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**134,943**	390,443		

22. Trade and other payables

		The Group		The Company	
	Note	**2009** **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Trade creditors		**44,027**	47,478	**29**	29
Other payables and accrued charges		**148,584**	129,632	**14,123**	16,147
Amount due to subsidiaries		**–**	–	**5,404**	29,989
Amount due to an associate		**–**	21	**–**	–
Amount due to a related company	*(i)*	**64,448**	274,350	**–**	–
Amount due to a fellow subsidiary		**23,250**	23,250	**–**	–
Amount due to immediate holding company		**–**	20	**–**	20
Derivative financial instruments		**–**	6,285	**–**	–
		280,309	481,036	**19,556**	46,185

Notes:

(i) The amount represents 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 1 year is $2,506,000 (2008: $1,213,000).

22. Trade and other payables (Continued)

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

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Due within 1 month or on demand	**108,475**	263,303	**29**	29
Due after 1 month but within 3 months	**–**	58,525	**–**	–
	108,475	321,828	**29**	29

23. Borrowings

(a) Bank loans

		The Group	
	Note	**2009 $'000**	2008 $'000
Unsecured	*(i)*	**–**	85,043
Secured by bank deposits	*(ii)*	**230,940**	24,521
Secured by investment properties	*(iii)*	**160,000**	480,000
		390,940	589,564

At 31 December 2009, the bank loans were repayable as follows:

	The Group	
	2009 $'000	2008 $'000
Within 1 year or on demand	**230,940**	184,521
After 1 year but with 2 years	**160,000**	245,043
After 2 years but within 5 years	**–**	160,000
	160,000	405,043
	390,940	589,564

23. Borrowings (Continued)

(a) Bank loans (Continued)

Notes:

(i) The unsecured bank loans as at 31 December 2008 were granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group and guaranteed by Zhongyue Tinplate, a subsidiary of the Group. As at 31 December 2008, the minority shareholder provided a counter-guarantee to Zhongyue Tinplate of $28,915,000 in relation to these unsecured bank loans.

(ii) The loans are secured by bank deposits of $233,035,000 (2008: $24,515,000).

(iii) The loans are guaranteed by the Company which also pledged the investment properties situated in Hong Kong with carrying value of $95,885,000 (2008: $85,911,000) as collateral.

In addition, it is provided in the loan agreement that if the immediate holding company of the 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 2009, none of the covenants relating to the bank loans had been breached.

(iv) At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the corporate guarantee issued in respect of bank loans obtained by a subsidiary as disclosed in note (iii) above. The maximum liability of the Company at the balance sheet date under the guarantee issued amounted to $160,000,000 (2008: $480,000,000). The Company has not recognised any deferred income in respect of the guarantee as the fair value of such guarantee cannot be reliably measured and the transaction price was $Nil (2008: $Nil).

23. Borrowings (Continued)

		The Group and the Company	
		2009	2008
		$'000	$'000
(b)	Loan from immediate holding company	**–**	10,000

As at 31 December 2008, the loan was unsecured and interest-bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") + 0.35% per annum. The loan was repaid in June 2009.

		The Group	
		2009	2008
		$'000	$'000
(c)	Loan from a minority shareholder	**–**	2,940

As at 31 December 2008, the loan was provided by a minority shareholder to a non-wholly owned subsidiary of the Group. It was unsecured and interest-free. The loan was repaid in February 2009. As at 31 December 2008, the Group also provided a loan of $3,060,000 to this non-wholly owned subsidiary in proportion to the Group's shareholding.

		The Group	
		2009	2008
		$'000	$'000
(d)	Loans from a related company	**79,560**	–

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") + 2% per annum and repayable on 7 September 2010 and 14 October 2010. The Group also provided loans of $154,440,000 to this non-wholly owned subsidiary in proportion to the Group's shareholding therein.

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 1 ordinary share in the Company.

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

On the same day, the shareholders of the Company also passed a resolution to terminate the 2001 Share Option Scheme. Options previously granted under the 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 1 ordinary share in the Company.

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 they are exercised or they lapse.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(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	1,500,000	3 months from the date of grant	5 years
– Granted on 9 March 2006	4,600,000	3 months from the date of grant	10 years
– Granted on 30 December 2008	5,250,000	Note	5.5 years
Options held by employees and other participants:			
– Granted on 6 February 2004	3,000,000	3 months from the date of grant	5 years
– Granted on 9 March 2006	5,350,000	3 months from the date of grant	10 years
– Granted on 30 December 2008	3,800,000	Note	5.5 years
	23,500,000		

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:

	2009 Weighted average exercise price	2009 Number of options '000	2008 Weighted average exercise price	2008 Number of options '000
Outstanding at the beginning of the year	**$1.125**	**15,600**	$1.636	14,450
Granted during the year	**–**	**–**	$0.750	9,050
Lapsed during the year	**$1.582**	**(1,500)**	$1.660	(1,700)
Cancelled during the year	**$0.750**	**(1,080)**	$1.622	(6,200)
Exercised during the year	**$0.750**	**(120)**		–
Outstanding at the end of the year	**$1.106**	**12,900**	$1.125	15,600
Exercisable at the end of the year	**$1.660**	**5,050**	$1.642	6,550

The options outstanding at 31 December 2009 had a weighted average exercise price of $1.106 (2008: $1.125) and a weighted average remaining contractual life of 5.15 years (2008: 5.54 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 a weighted average volatility used in the modelling under the Model)	47%	78%
Option life (expressed as a 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) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital $'000	Share premium $'000	Capital reserve – share options $'000	Special capital reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2008	452,802	4,423	2,881	107,440	132,432	699,978
Changes in equity for 2008:						
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
Total comprehensive income for the year	–	–	–	–	75,548	75,548
Balance at 31 December 2008 and 1 January 2009	452,802	4,423	1,459	107,440	173,182	739,306
Changes in equity for 2009:						
Dividends approved in respect of previous year	–	–	–	–	(13,584)	(13,584)
Dividends declared in respect of current year	–	–	–	–	(13,586)	(13,586)
Exercise of share options	60	57	(27)	–	–	90
Share-based payment expenses for the year	–	–	669	–	–	669
Total comprehensive income for the year	–	–	–	–	102,935	102,935
Balance at 31 December 2009	452,862	4,480	2,101	107,440	248,947	815,830

25. Capital and reserves (Continued)

(b) Share capital

	2009 Number of shares '000	2009 $'000	2008 Number of shares '000	2008 $'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**	905,603	452,802
Exercise of share options	**120**	**60**	–	–
At 31 December	**905,723**	**452,862**	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.

(c) Shares issued under share option schemes

During the year, share options were exercised to subscribe for 120,000 ordinary shares in the Company at a consideration of $90,000 of which $60,000 was credited to share capital and the balance of $30,000 was credited to the share premium account. $27,000 was transferred from capital reserve – share options to the share premium account in accordance with accounting policy set out in note 1(p)(ii).

In 2008, no share options were exercised to subscribe for ordinary shares in the Company.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 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)

(d) Nature and purpose of reserves (Continued)

(iii) Special capital reserve

The special capital reserve was created under the capital reorganisation of the Company which was 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.

(e) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance, was $202,962,000 (2008: $137,171,000).

(f) 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)

(f) 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 2009, the net debt-to-capital ratio of the Group was as follows:

	2009 $'000	2008 $'000
Bank loans	390,940	589,564
Loan from immediate holding company	–	10,000
Loan from a minority shareholder	–	2,940
Loans from a related company	79,560	–
Borrowings	470,500	602,504
Less: Cash and cash equivalents	(380,961)	(428,009)
Net debt	89,539	174,495
Equity attributable to equity shareholders of the Company	1,592,775	1,437,413
Net debt-to-capital ratio	5.6%	12.1%

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)(iii). 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 deposits with banks and 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 deposits with banks, the Group only places deposits with the major financial institutions in the PRC and Hong Kong.

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

At the balance sheet date, the Group has a certain level of concentrations of credit risk as 14.9% (2008: 13.3%) and 37.0% (2008: 34.3%) 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 allowances. The Group does not provide any other guarantee which would expose the Group to credit risk. Details of guarantees provided by the Company to a subsidiary of 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 are required to pay:

The Group

	2009 Contractual undiscounted cash outflow/(inflow)					
	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	Total $'000	Balance sheet carrying amount $'000
Bank loans	233,319	160,070	–	–	393,389	390,940
Loans from a related company	80,878	–	–	–	80,878	79,560
Trade and other payables	280,309	–	–	–	280,309	280,309
Forward foreign exchange contracts (net settled) (note 26(d))	(11,415)	–	–	–	(11,415)	(3,595)
	583,091	160,070	–	–	743,161	747,214

	2008 Contractual undiscounted cash outflow					
	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	Total $'000	Balance sheet carrying amount $'000
Bank loans	193,517	248,956	160,095	–	602,568	589,564
Loan from immediate holding company	10,065	–	–	–	10,065	10,000
Loan from a minority shareholder	2,940	–	–	–	2,940	2,940
Trade and other payables	481,036	–	–	–	481,036	481,036
	687,558	248,956	160,095	–	1,096,609	1,083,540

26. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Group (Continued)

	2009 Contractual undiscounted cash outflow/(inflow)				
	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	Total $'000
Derivatives settled gross:					
Forward foreign exchange contracts (note 26(d)(i))					
– outflow	–	–	–	–	–
– inflow	–	–	–	–	–

	2008 Contractual undiscounted cash outflow/(inflow)				
	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	Total $'000
Derivatives settled gross:					
Forward foreign exchange contracts (note 26(d)(i))					
– outflow	408,243	–	–	–	408,243
– inflow	(401,957)	–	–	–	(401,957)

26. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Company

	2009 Contractual undiscounted cash outflow					
	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	Total $'000	Balance sheet carrying amount $'000
Trade and other payables	19,556	–	–	–	19,556	19,556

	2008 Contractual undiscounted cash outflow					
	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	Total $'000	Balance sheet carrying amount $'000
Loan from immediate holding company	10,065	–	–	–	10,065	10,000
Trade and other payables	46,185	–	–	–	46,185	46,185
	56,250	–	–	–	56,250	56,185

26. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Company (Continued)

	2009 Contractual undiscounted cash outflow					
	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	Total $'000	Balance sheet carrying amount $'000
Financial guarantees issued:						
Maximum amount guaranteed (note 23(a)(iv))	160,000	–	–	–	160,000	–

	2008 Contractual undiscounted cash outflow					
	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	Total $'000	Balance sheet carrying amount $'000
Financial guarantees issued:						
Maximum amount guaranteed (note 23(a)(iv))	480,000	–	–	–	480,000	–

(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.

26. Financial instruments (Continued)

(c) Interest rate risk (Continued)

(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 less cash and cash equivalents and lendings) at the balance sheet date.

The Group

	2009 Effective interest rate per annum	2009 $'000	2008 Effective interest rate per annum	2008 $'000
Fixed rate borrowings:				
Bank loans	0.97%	230,940	7.69%	24,521
Variable rate borrowings:				
Loan from immediate holding company		–	3-month HIBOR + 0.35%	10,000
Loans from a related company	3-month LIBOR + 2%	79,560		–
Bank loans	1-month HIBOR + 0.6%	160,000	1-month HIBOR + 0.6%	480,000
			90% of The People's Bank of China's Base Lending Rate	85,043
		239,560		575,043
Total borrowings		470,500		599,564
Cash and cash equivalents	1.52%	(380,961)	0.97%	(428,009)
Total net borrowings		89,539		171,555
Fixed rate borrowings as a percentage of total borrowings		49.1%		4.1%

26. Financial instruments (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

The Company

	2009 Effective interest rate per annum	2009 $'000	2008 Effective interest rate per annum	2008 $'000
Variable rate borrowings:				
Loan from immediate holding company		–	3-month HIBOR + 0.35%	10,000
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%	(154,998)	2-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC + 0.5%	(158,143)
Cash and cash equivalents	0%	(4,950)	0%	(2,010)
Total net lendings		(159,948)		(150,153)

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase of 100 basis points or a general decrease of 5 basis points in interest rates, with all other variables held constant, would have led to a decrease of approximately $998,000 or an increase of approximately $50,000 respectively in the Group's profit after taxation and retained profits.

At 31 December 2008, it is estimated that a general increase of 200 basis points or 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 or an increase of approximately $495,000 respectively in the Group's profit after taxation and retained profits.

26. Financial instruments (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2008.

(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 mainly 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.

At as 31 December 2009, 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$29,608,000 (equivalent to HK$230,940,000) (2008: US$3,144,000 (equivalent to HK$24,521,000)).

In addition, as at 31 December 2009, the Group is exposed to currency risk arising from certain inter-company loans amounting to HK$38,000,000 and US$28,800,000 (equivalent to HK$262,640,000 in aggregate) (2008: HK$162,810,000 and US$30,400,000 (equivalent to HK$399,930,000 in aggregate)) which are not denominated in the functional currency of the subsidiaries in the PRC. There were forward foreign exchange contracts of US$23,000,000 (equivalent to HK$179,400,000) (2008: HK$114,240,000 and US$33,500,000 (equivalent to HK$375,540,000 in aggregate)), 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 $3,595,000 (2008: $6,285,000 included in trade and other payables (note 22)) at 31 December 2009 was recognised as derivative financial instruments and included in trade and other receivables, deposits and prepayments (note 20).

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 relate.

The Group

	2009 Hong Kong Dollars '000	2009 United States Dollars '000	2009 Renminbi '000
Trade and other receivables, deposits and prepayments	–	5,482	15,458
Cash and cash equivalents	7	5,891	7
Bank loans	–	(29,608)	–
Loans from a related company	–	(10,200)	–
Trade and other payables	–	(8,583)	(3,148)
Gross exposure arising from recognised assets and liabilities	7	(37,018)	12,317
Notional amounts of forward foreign exchange contracts	–	30,000	–
Overall net exposure	7	(7,018)	12,317

	2008 Hong Kong Dollars '000	2008 United States Dollars '000	2008 Renminbi '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 Company

	2009		2008	
	United States Dollars '000	**Renminbi '000**	United States Dollars '000	Renminbi '000
Trade and other receivables, deposits and prepayments	–	15,418	–	18,654
Cash and cash equivalents	32	–	2	–
Trade and other payables	–	(3,119)	–	(3,170)
Overall net exposure	32	12,299	2	15,484

(ii) Sensitivity analysis

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation (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 2009, it is estimated that if United States Dollars had weakened by 3% or strengthened by 1% (2008: weakened/strengthened by 2%) against Renminbi with all other variables held constant, the Group's profit after taxation and retained profits would have been increased by $14,915,000 or decreased by $4,972,000 respectively (2008: increased/decreased by $3,503,000).

At 31 December 2009, it is estimated that if Renminbi had strengthened by 3% or weakened by 1% (2008: strengthened/weakened by 2%) against Hong Kong Dollars with all other variables held constant, the Group's profit after taxation and retained profits would have been increased by $1,250,000 or decreased by $422,000 respectively (2008: increased/decreased by $504,000).

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.

26. Financial instruments (Continued)

(d) Foreign currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation 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 sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2008.

(e) Equity price risk

At 31 December 2008, the Group was exposed to equity price changes arising from equity investments classified as trading securities which were listed (see note 17).

The Group's listed investments were listed on The Stock Exchange of Hong Kong Limited. The management monitored regularly the performance of the investments against expectations together with an assessment of their relevance to the Group's long-term strategic plans.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

26. Financial instruments (Continued)

(f) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

2009
The Group

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments:				
Forward foreign exchange contracts	–	3,595	–	3,595

The Company

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments:				
Forward foreign exchange contracts	–	–	–	–

During the year, there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 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 values of derivative financial instruments are marked to market using listed market price or by discounting the contractual forward price and deducting the current spot rate.

27. Commitments

(a) Capital commitments outstanding as at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009 $'000	2008 $'000
Contracted for	**6,404**	8,418
Authorised but not contracted for	**16,709**	2,677
	23,113	11,095

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2009 $'000	2008 $'000
Within 1 year	**2,158**	1,934
After 1 year but within 5 years	**869**	–
	3,027	1,934

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 each lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 31 December 2009, the Company had committed to provide finance of $6,489,000 (2008: $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	2009 $'000	2008 $'000
Sales of goods to related companies	*(i)*	**490,851**	614,931
Commission payable to a related company	*(i), (ii)*	**7,018**	8,630
Technical guidance services fee payable to a related company	*(i)*	**2,698**	–
Purchases of goods from	*(i)*		
– an associate		**1,215**	2,410
– related companies		**831,844**	1,434,426

Notes:

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

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

(iii) *Balances with related parties at 31 December are included in amounts due from/to the respective parties in the balance sheets. Except for the trade balances with related companies as disclosed in notes 20 and 22 which are settled in accordance with normal trade terms, and the loan from immediate holding company, loan from a minority shareholder and loans from a related company as disclosed in note 23, these balances are unsecured, interest-free and have no fixed terms of repayment.*

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

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

28. Material related party transactions (Continued)

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

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

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

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

Having considered the potential transactions impacted by related party relationships, the Group's pricing strategy, buying and approval process, and what information would be necessary for an understanding of the potential effects of the transactions on the 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:

	2009 $'000	2008 $'000
Short-term employee benefits	**3,327**	4,689
Post-employment benefits	**565**	667
Equity compensation benefits	**374**	3
	4,266	5,359

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 retirement 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 2009 was $6,132,000 (2008: $5,757,000). Forfeited contributions refunded for the year amounted to $390,000 (2008: $Nil).

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

Impairment loss for bad and doubtful debts are assessed and provided for 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 inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value 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 of 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 their 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 estimations.

31. Immediate and ultimate holding company

The directors consider the immediate and ultimate holding company at 31 December 2009 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. Litigation

In October 2009, a PRC third party filed a claim against a subsidiary of the Group in the Court of Guangzhou City to recover an outstanding trade debt of approximately RMB2,060,000 and a penalty of approximately RMB5,376,000 for non-payment. The subsidiary made an objection on jurisdiction grounds and the Court of Guangzhou City ruled in its favour by ruling that the claim should be heard by the Court of Zhongshan City. At the date of issue of these financial statements, the transfer of the case to the Court of Zhongshan City is still in progress and proceedings have not commenced. In prior years, this PRC third party had also filed claims in respect of the same matter but the claims were denied. Based on the information currently available, the Group considers that no provision is required to be made in the financial statements in respect of this claim because the likelihood of an adverse outcome is remote.

34. Comparative figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

35. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
HK(IFRIC) 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

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

(Expressed in Hong Kong dollars unless otherwise indicated)

36. List of principal subsidiaries

Particulars of the principal subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Proportion of nominal value of issued capital/ registered capital held by a 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 fresh and live foodstuffs and foodstuffs trading
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 Zhongyue Tinplate Industrial Co., Ltd.#	The PRC	N/A	US$74,252,800	–	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

a wholly foreign-owned enterprise established in the PRC

* *an equity joint venture established in the PRC*

37. List of company under liquidation

Particulars of the company for which a petition has been presented to the 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	a subsidiary
Guangdong Guangnan Tianmei Food Development Company Limited@	The PRC	N/A	RMB34,820,000	–	55%

@ *an equity joint venture established in the PRC. A petition was presented to the court for liquidation in July 2001*

38. List of associate

Particulars of the associate at 31 December 2009 are as follows:

Name of associate	Place of incorporation/ place of operations	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Company	a subsidiary	Principal activities
Yellow Dragon Food Industry Co., Ltd.*	The PRC	N/A	40%	–	Processing and sales 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$831,844,000 ("Purchase of Blackplate Transaction"). POSCO is a substantial shareholder of Zhongyue Posco.

   B. Zhongyue Tinplate supplied tinplate products to Posco Asia Company Limited ("Posco Asia") in its ordinary course of business and on normal commercial terms for approximately HK$1,433,000 ("Sales of Tinplate Transaction by Zhongyue Tinplate"). Posco Asia is a wholly-owned subsidiary of POSCO, which is a substantial shareholder of Zhongyue Posco.

   C. Zhongyue Posco supplied tinplate products to POSCO Group in its ordinary course of business and on normal commercial terms for approximately HK$482,400,000 ("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 2009 did not exceed the annual cap amount of HK$2,479,074,000 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 2009 did not exceed the annual cap amount of HK$13,104,000 for the Sales of Tinplate Transaction by Zhongyue Tinplate as disclosed in the announcement dated 10 August 2009; and

(iii) the aggregate amount for the year ended 31 December 2009 did not exceed the annual cap amount of HK$1,546,506,000 for the sales of Tinplate Transactions by Zhongyue Posco as disclosed in the announcement dated 5 December 2008.

The Board have requested the auditors of the Company to perform certain agreed upon procedures on the 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"), of which HK$320,000,000 was repaid in 2009. 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 of the Company, 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 deconsolidated 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 Zhongyue Tinplate Industrial Co., Ltd., 25 Yanjiangdongyi Road, Torch Development Zone, 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, Hebei Province, the PRC	Industrial	66%	Medium

Financial Summary

(Expressed in Hong Kong dollars)

Results

	For the year ended 31 December				
	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Turnover	**2,352,103**	2,979,868	1,593,460	1,221,254	921,217
Profit from operations	**221,451**	167,287	109,884	110,794	80,369
Non-operating income	**–**	–	40,021	–	59,746
Net valuation gains/(losses) on investment properties	**16,118**	(19,429)	16,075	23,123	20,497
Finance costs	**(6,784)**	(24,905)	(11,927)	(2,906)	(396)
Share of profits less losses of associates	**12,899**	16,528	20,390	19,259	20,315
Profit before taxation	**243,684**	139,481	174,443	150,270	180,531
Income tax	**(40,259)**	(18,999)	7,435	(23,476)	(736)
Profit for the year	**203,425**	120,482	181,878	126,794	179,795
Attributable to:					
Equity shareholders of the Company	**180,724**	100,646	183,809	121,320	175,759
Minority interests	**22,701**	19,836	(1,931)	5,474	4,036
Profit for the year	**203,425**	120,482	181,878	126,794	179,795
Earnings per share					
Basic	**20.0 cents**	11.1 cents	20.3 cents	13.5 cents	19.5 cents
Diluted	**19.9 cents**	11.1 cents	20.3 cents	13.5 cents	N/A
Dividend per share					
Interim	**1.5 cents**	2.0 cents	2.0 cents	1.5 cents	–
Proposed final	**3.0 cents**	1.5 cents	2.0 cents	2.0 cents	1.5 cents

Assets and liabilities

	As at 31 December				
	2009 **$'000**	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Fixed assets	**1,257,688**	1,289,614	1,229,884	805,781	434,406
Interest in associates	**196,772**	201,973	199,010	182,434	176,003
Other non-current assets	**–**	9,426	–	–	46
Net current assets	**456,595**	479,403	62,478	144,383	380,978
Total assets less current liabilities	**1,911,055**	1,980,416	1,491,372	1,132,598	991,433
Non-current liabilities	**(186,546)**	(430,222)	(102,125)	(21,687)	(12,217)
Net assets	**1,724,509**	1,550,194	1,389,247	1,110,911	979,216
Share capital	**452,862**	452,802	452,802	450,792	450,792
Reserves	**1,139,913**	984,611	848,702	622,477	499,090
Total equity attributable to equity shareholders of the Company	**1,592,775**	1,437,413	1,301,504	1,073,269	949,882
Minority interests	**131,734**	112,781	87,743	37,642	29,334
Total equity	**1,724,509**	1,550,194	1,389,247	1,110,911	979,216