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

Stock Code 股份代號:1203

年報 2011
ANNUAL REPORT

Contents

Corporate Information

(As at 22 March 2012)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

HUANG Xiaofeng
LUO Fanyu
LIANG Jianqin

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
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China Limited, Zhongshan Branch
Bank of China Limited, Zhongshan Branch
China Citic Bank Corporation Limited, Zhongshan 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 (for attending Annual General Meeting)	22 May 2012 to 24 May 2012
Clousre of Register of Members (for payment of final dividend)	30 May 2012 to 1 June 2012
Annual General Meeting	24 May 2012
Final Dividend	HK 2.5 cents per share
Payment Date	27 June 2012

Financial Highlights

(Expressed in Hong Kong dollars)

	For the year ended 31 December		
	2011 **$'000**	2010 $'000	Change
Turnover	**3,404,115**	2,870,206	+18.6%
Profit from operations	**215,037**	243,272	-11.6%
Profit attributable to shareholders	**213,155**	202,920	+5.0%
Basic earnings per share	**23.5 cents**	22.4 cents	+4.9%
Dividend per share			
Interim	**2.5 cents**	3.0 cents	
Proposed final	**2.5 cents**	2.0 cents	
	5.0 cents	5.0 cents	–

	At 31 December		
	2011 **$'000**	2010 $'000	Change
Total assets	**3,122,971**	2,894,551	+7.9%
Shareholders' equity	**2,041,716**	1,790,996	+14.0%
Net asset value per share[1]	**$2.25**	$1.98	+13.6%
Net borrowings/(cash)[2]	**56,374**	(14,390)	
Gearing ratio[3]	**2.8%**	-0.8%	

Notes:

1. $\dfrac{\textit{Shareholders' equity}}{\textit{Number of ordinary shares in issue}}$

2. *Borrowings – cash and cash equivalents*

3. $\dfrac{\textit{Net borrowings/(cash)}}{\textit{Shareholders' equity}}$

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$213,155,000 in 2011, representing an increase of 5.0% compared with HK$202,920,000 in 2010. The basic earnings per share was HK 23.5 cents, representing an increase of 4.9% from HK 22.4 cents in 2010.

Dividend

The board of directors of the Company (the "Board") recommends the payment of a final dividend of HK 2.5 cents per share for the year 2011. The final dividend for 2011, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 27 June 2012.

Review

In 2011, all business segments of the Group were steadily improving. The consolidated turnover was HK$3,404,115,000, representing an increase of 18.6% from HK$2,870,206,000 in 2010, mainly attributable to the increase in the sales volume and selling price of the tinplating business. Profit from operations was HK$215,037,000, representing a decrease of 11.6% from HK$243,272,000 in 2010, mainly due to the decrease in gross profit margin in the tinplating business, while there was growth in the profit contribution from the fresh and live foodstuffs business.

For the tinplating business, the Group captured the beneficial opportunities of the increasingly sufficient supply of major raw materials to increase our production volume, increasing both the total production and sales volume of tinplate products by 13.0% as compared to that in 2010. Turnover also increased by 18.3% as compared to that in 2010. However, as a result of supply outstripping demand in the iron and steel industry, the pressure on the selling price of tinplate products under intense competition, coupled with the rise in various raw materials and operating costs and the decrease in the market prices of tinplate products in the fourth quarter of 2011, the gross profit margin decreased as compared to that in 2010.

In respect of the fresh and live foodstuffs business, along with the increase in price of live pigs over 2010, both turnover and operating profit from the fresh and live foodstuffs business recorded an increase over 2010. Given the devoted efforts of our operation team and premium quality sources of goods from major suppliers, the Group actively contributed to maintaining the supply in the market and the overall market share in the live pigs supply into Hong Kong was about 45%. This provided a steady contribution to the earnings of the Group. In January and September 2011, the Group acquired 19.53% and 34% interests in two suppliers respectively. Such acquisitions represented a leap towards consolidating premium quality sources of live pigs and building a solid business chain for the fresh and live foodstuffs business.

As to the property leasing business, along with the continual increase in the price of office units in Hong Kong in 2011, net valuation gains on investment properties of HK$28,747,000 (2010:HK$6,634,000) were recorded by the Group.

Chairman's Statement (Continued)

Prospects

While there exist uncertainties in the recovery of the European and US economies, economic growth on the mainland, albeit moderating, is expected to stay relatively high. Monetary easing was observed over the past few months, and it is anticipated that the pace of order placing from customers will gradually return to normal. In respect of the tinplating business, the Group will strive to increase production and sales volume and achieve economies of scale. Meanwhile, we will also actively participate in the consolidation within the industry and strengthen the strategic relationships with our suppliers and customers, so as to create favourable conditions for the transformation and upgrade of this business. As to the fresh and live foodstuffs business, on the ground of further implementation of sophisticated measures to manage our business, we will consolidate and develop our business chain operation and ensure market supply. By leveraging on our sound financial position and abundant capital resources, we will continue to explore and capture various opportunities for development and strategic cooperation so as to lay a more solid foundation for a new round of business development in future.

Liang Jiang
Chairman

Hong Kong, 22 March 2012

Management Discussion & Analysis

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 is 470,000 tonnes and 150,000 tonnes respectively, of which 220,000 tonnes of tinplate products and 150,000 tonnes of blackplates are from Zhongshan's capacity, whereas 250,000 tonnes of tinplate products are from Qinhuangdao's capacity.

In 2011, the Group produced 343,060 tonnes of tinplate products, representing an increase of 13.0% as compared to that in 2010. Among which, Zhongyue Tinplate and Zhongyue Posco produced 199,239 tonnes and 143,821 tonnes respectively. Besides, the blackplate manufacturing plant of Zhongyue Tinplate produced 141,515 tonnes of blackplates, an increase of 5.8% as compared to that in 2010, providing a steady supply of raw materials (i.e. blackplates) for its production of tinplate products. The Group's tinplating plants in northern and southern China sold 336,469 tonnes of tinplate products, an increase of 13.0% as compared to that in 2010, of which, Zhongyue Tinplate and Zhongyue Posco sold 196,233 tonnes and 140,236 tonnes of tinplate products respectively, an increase of 14.3% and 11.2% respectively as compared to that in 2010. Turnover was HK$3,107,232,000, an increase of 18.3% as compared to that in 2010 and profit from operations was HK$112,229,000, a decrease of HK$55,279,000 or 33.0% as compared to that in 2010. The tinplating business contributed the largest share to the earnings of the Group and accounted for 91.3% and 52.2% of the Group's turnover and profit from operations respectively.

In the second quarter of 2011, the market price of tinplate products showed signs of bottoming out. However, the market prices of both hot-rolled plates (the primary raw material for the production of blackplates) and tinplate products decreased in the fourth quarter. The year 2011 is defined as the year for marketing breakthrough, aimed at fully utilising the production capacity of our tinplating plants based in northern and southern China, lowering the unit production cost and achieving economies of scale. Facing keen competition within the industry, we are focused on analysing the needs of users, further enhancing product quality as well as sales service levels, adjusting our product mix and increasing export volume in a timely manner and providing a diversity of appropriate products to our customers at selling prices more comparable to the market rate. We also capitalised on the increasingly sufficient supply of major raw materials to increase our production volume. Despite the excessive supply in the iron and steel industry and the pressure on the selling price of tinplate products under intense competition, the sales volume of the Group's tinplate products was increased by 13.0% as compared to that in 2010. Nevertheless, the rise in various raw materials and operating costs during the year resulted in the decrease in gross profit margin of the Group's tinplating business as compared to that in 2010. Full implementation of budgetary control, strengthening of internal control, deployment of Six Sigma methodology for implementing a substantial number of projects for technology improvement, energy-saving, waste-reduction and efficiency-optimisation, together with active efforts in expanding sources of procuring domestic blackplates and further utilisation of the production capacity of our blackplate manufacturing plant, have all provided the Group with conditions to benefit from the economies of scale, thus relieving the Group of the pressure brought by the rise in various costs. Furthermore, the Group has committed more resources to R&D initiatives, incubating strengths for the future development of our tinplating business.

Management Discussion & Analysis (Continued)

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, a 19.53% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu", formerly known as Hubei Liangyou Livestock and Poultry Co., Ltd.), and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. ("Guangdong Baojin").

In 2011, the turnover of the fresh and live foodstuffs business amounted to HK$269,293,000, representing an increase of 24.6% as compared to that in 2010. Together with the share of profit of associates, Hubei Jinxu and Guangdong Baojin, profit from operations was HK$90,689,000, representing an increase of HK$15,902,000 or 21.3% as compared to that in 2010. With the inflation of costs in feeds, staff costs and transportation expenses, the price of live pigs in both mainland China and Hong Kong increased over 2010 and it was not until the fourth quarter of 2011 that the price of live pigs supply into Hong Kong decreased. Our fresh and live foodstuffs business reported an increase in both turnover and operating profit as compared to that in 2010 albeit with a slight decrease in the volume of live pigs distributed. Through continuous optimisation of the business workflow, the Group proactively strengthened its communication with governmental authorities, suppliers, industry participants and customers. Service standards were enhanced. The Group also actively contributed to maintaining the supply in the market. The overall market share in the live pigs supply into Hong Kong was about 45%. This provided a steady contribution to the earnings of the Group.

In January 2011, the Group acquired a 19.53% interest in one of its major suppliers, Hubei Jinxu, at a consideration of RMB40 million (equivalent to approximately HK$47 million). Hubei Jinxu mainly engages in pig farming, sales of pigs and related activities in Guangdong, Hubei and Hainan. Along with the increase in the price of live pigs in both mainland China and Hong Kong, the Group's share of profit from Hubei Jinxu amounted to HK$7,516,000.

In September 2011, the Group acquired a 34% interest in one of its suppliers, Guangdong Baojin, at a consideration of RMB10.2 million (equivalent to approximately HK$13 million). Guangdong Baojin mainly engages in pig farming and sales of pigs in Guangdong. It is expected that such acquisition will help the Group to consolidate premium quality sources of live pigs in order to gradually build a solid business chain for fresh and live foodstuffs business 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.

In 2011, turnover from the property leasing business of the Group was HK$27,590,000, an increase of 2.4% as compared to that in 2010. Profit from operations of leasing properties amounted to HK$16,902,000, an increase of 3.7% as compared to that in 2010. Due to the continued increase in the price of office units in Hong Kong in 2011, net valuation gains on investment properties of HK$28,747,000 (2010: HK$6,634,000) were recorded.

Management Discussion & Analysis (Continued)

Yellow Dragon

In 2011, Yellow Dragon Food Industry Co., Limited, an associate of the Group, recorded a sales volume of 422,920 tonnes in its major product, corn starch, representing an increase of 1.8% as compared with that in 2010. With the substantial rise in the price of the products from last year, turnover amounted to HK$2,168,465,000, representing an increase of 17.2% and profit attributable to shareholders amounted to HK$62,820,000, representing a decrease of 7.4% as compared with that in 2010.

Financial Position

As at 31 December 2011, the Group's total assets and total liabilities amounted to HK$3,122,971,000 and HK$910,267,000, representing an increase of HK$228,420,000 and a decrease of HK$44,962,000 respectively when compared with the positions at the end of 2010. Net current assets increased from HK$694,610,000 at the end of 2010 to HK$699,325,000. The current ratio (current assets divided by current liabilities) decreased from 1.93 as at the end of 2010 to 1.80.

Liquidity and Financial Resources

As at 31 December 2011, the Group maintained cash and cash equivalent balances of HK$431,242,000, including pledged bank deposits of HK$221,429,000. An amount of HK$305,114,000 was denominated in Renminbi and HK$74,213,000 was denominated in United States ("US") Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalent balances decreased by 26.9% from the end of 2010, which was mainly attributable to the repayment of bank loans during the year.

As at 31 December 2011, the Group's borrowings comprised 1) bank borrowings of HK$408,056,000 (2010: HK$495,872,000), of which i) HK$211,951,000 (2010: HK$218,987,000) was unsecured, ii) HK$5,031,000 (2010: HK$Nil) was secured by bills receivable of HK$5,031,000 (2010: HK$Nil) and iii) HK$191,074,000 (2010: HK$276,885,000) was secured by bank deposits of HK$221,429,000 (2010: HK$294,813,000); and 2) loans from a related company of HK$79,560,000 (2010: HK$79,560,000). 32.8% (2010: 27.8%) of the Group's borrowings was guaranteed by the Company. As at 31 December 2011, all of the Group's borrowings was repayable within 1 year, while as at 31 December 2010, 72.2% of the Group's borrowings was repayable within 1 year, and the remaining balance was repayable within 2 years. All borrowings were subject to annual interest rates ranging from 1.34% to 3.88% (2010: 0.64% to 3.16%). 49.1% (2010: 41.6%) of the Group's borrowings bears interest at floating rates. The management pays attention to variations in interest rates.

As at 31 December 2011, 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 2.8% (2010: -0.8%).

As at 31 December 2011, the Group's available banking facilities which are used for working capital and trade finance purposes, amounted to HK$352,351,000, of which HK$182,315,000 was utilised and HK$170,036,000 was unutilised. 45.4% of the Group's banking facilities was guaranteed by the Company. Currently, the cash reserves and available banking facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

Management Discussion & Analysis (Continued)

Capital Expenditure

The Group's capital expenditure in 2011 amounted to HK$22,633,000 (2010: HK$33,756,000). It is expected that the capital expenditure for 2012 will be approximately HK$39,000,000, mainly for technology improvement projects of the blackplate manufacturing plant and tinplating plant of Zhongyue Tinplate to further enhance the quality and added value of the blackplates and tinplate products.

Charges on Assets

As at 31 December 2011, certain assets of the Group with an aggregate carrying value of HK$226,460,000 (2010: HK$399,583,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations are in mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily through import purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollar against Renminbi. In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

In respect of unforeseen fluctuations in exchange rates, the Group will hedge the exposure as and when necessary. As at 31 December 2011, forward foreign exchange contracts of US$25,350,000 (equivalent to HK$197,730,000) (2010: US$36,230,000 (equivalent to HK$282,594,000)) were entered into by the Group to hedge against foreign currency loans. In addition, as at 31 December 2010, forward foreign exchange contracts of US$26,850,000 (equivalent to HK$209,430,000) were 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 mainland China. There were no such foreign exchange contracts at 31 December 2011. Except for the abovementioned, other borrowings are denominated in the functional currency of the corresponding entities.

Employees and Remuneration Policies

As at 31 December 2011, the Group had a total of 1,222 full-time employees, an increase of 73 from the end of 2010. 176 of the employees were based in Hong Kong and 1,046 were in mainland China. 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 2011, the Group continued to implement controls over the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, a performance bonus 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 a share option scheme to encourage excellent participants to continue their contribution to the Group.

Directors' Profile

Executive Directors

Mr. LIANG Jiang, aged 59, was appointed an Executive Director and the Chairman of the Company in January 2002. 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. Mr. Liang ceased to be the chairman and director of two subsidiaries of the Company, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") from July 2011. Mr. Liang was appointed the executive director of Kingway Brewery Holdings Limited ("Kingway Brewery"), a fellow subsidiary of the Company, on 8 March 2012.

Mr. LI Li, aged 56, was appointed an Executive Director and the Deputy Chairman of the Company in April 2010. He is also the chairman of Guangnan Hong Company Limited, a subsidiary of the Company. Mr. Li graduated from the Sun Yat-Sen University, the PRC and the South China Normal University, the PRC. From May 2000 to July 2002, Mr. Li served as the Executive Vice Chairman of the Company. He was also an Executive Director and the Deputy Chairman of the Company from January 2008 to June 2009. Between 1986 and 1998, Mr. Li worked in Guangdong Foreign Economic Relations and Trade Committee (the "Committee"). He was a deputy director of the Economic and Trade Administration Office of the Committee in 1995. Since September 1998, Mr. Li has acted as the general manager of Nam Yue Food Stuff & Aquatics Company Limited ("Nam Yue Food") and Macau Wholesale Market Nam Yue Limited ("Macau Wholesale Market") and then became the chairman of both companies since June 2001. Mr. Li was also the chairman of Nam Yue Luen Fung Trading Company Limited ("Luen Fung Trading") since November 2004. On 16 March 2010, Mr. Li ceased to act as the chairman of Nam Yue Food, Macau Wholesale Market and Luen Fung Trading. The said three companies were incorporated in Macau Special Administrative Region of the PRC.

Mr. TAN Yunbiao, aged 47, was appointed an Executive Director and the General Manager of the Company in February 2004. He is also the chairman of Zhongyue Tinplate and a director of Zhongyue Posco. Mr. Tan graduated from South China Agricultural University, the PRC and worked in the municipal government in Zhongshan, the PRC from 1984 to 1988. Mr. Tan joined Zhongshan Shan Hai Industrial Co., Ltd. ("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. From July 2011, Mr. Tan became the chairman and ceased to be the general manager of Zhongyue Tinplate. At the end of 2009, Shan Hai was absorbed by Zhongyue Tinplate.

Directors' Profile (Continued)

Mr. SUNG Hem Kuen, aged 38, 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. He is also a director of Zhongyue Tinplate. 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, the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. From November 2010, he is also a Chartered Financial Analyst (CFA) charterholder, and is a member of CFA Institute in the United States and the Hong Kong Society of Financial Analysts. Mr. Sung had worked in major multinational certified public accountants for over 10 years. He was the assistant chief financial officer of Guangdong Investment Limited ("GDI"), a fellow subsidiary of the Company, before joining the Company.

Non-Executive Directors

Mr. HUANG Xiaofeng, aged 53, 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. He was appointed as the chairman of Guangdong Holdings and GDH on September and October 2010 respectively. Mr. Huang was appointed a non-executive director of GDI in June 2008 and subsequently appointed the chairman of the board and redesignated as an executive director in November 2010. He was also appointed a non-executive director and the chairman of the board of directors of Kingway Brewery in October 2008 and November 2010 respectively.

Mr. LUO Fanyu, aged 56, 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 Guangdong Tannery Limited, a fellow subsidiary of the Company. Mr. Luo graduated from the economics department of Sun Yat-Sen University, the PRC. 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.

Directors' Profile (Continued)

Ms. LIANG Jianqin, aged 47, was appointed a Non-Executive Director of the Company in September 2010. She was a Non-Executive Director of the Company from July 2002 to August 2006. Ms. Liang graduated from the department of accountancy of Jinan University and holds a Master's degree in Economics. She is a fellow member of The Association of Chartered Certified Accountants, a fellow member of Hong Kong Institute of Certified Public Accounts and a member of The Chinese Institute of Certified Public Accountants. She possesses extensive experience in financial management, external and internal audit as well as business management. Ms. Liang worked for Ernst and Young from 1995 to 1997 and GDI from 1997 to 2002 and was the general manager of the finance department of GDH from 2002 to 2006. Ms. Liang was appointed an executive director and chief financial officer of Kingway Brewery in April 2006 and re-designated as a non-executive director in September 2010. She was also appointed the general manager of finance departments of Guangdong Holdings and GDH in September 2010.

Independent Non-Executive Directors

Mr. Gerard Joseph McMAHON, aged 68, 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. Currently, Mr. McMahon is the chairman of the board of directors and audit committee of Oriental Technologies Investment Limited, a company listed on the Australian Securities Exchange. He is also the chairman and a non-executive director of Indonesian Investment Fund Limited, a company listed on the Irish Stock Exchange.

Ms. TAM Wai Chu, Maria, *GBS, J.P., LL.D (Honoris Causa), LL.B. (Hons.), Barrister-at Law*, aged 66, 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.

Mr. LI Kar Keung, Caspar, aged 58, 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 in BNP Paribas Peregrine Capital Limited. He had also worked as an investment analyst and head of Citicorp's equity research in Hong Kong. Mr. Li had also held the positions of executive director and chief financial officer of certain companies listed in Hong Kong.

Senior Management

The senior management of the Group comprises the Executive Directors above, namely, Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen.

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 2011.

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 principal activities and geographical locations of the businesses of the Group during the year are set out in note 3 to the financial statements.

Results and Dividends

The Group's consolidated results for the year ended 31 December 2011 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 37 to 131.

An interim dividend of HK 2.5 cents (2010: HK 3.0 cents) per share was paid on 27 October 2011. The Directors recommended the payment of a final dividend of HK 2.5 cents (2010: HK 2.0 cents) per share for the year ended 31 December 2011.

The proposed final dividend, if approved at the 2012 Annual General Meeting ("AGM") of the Company, is expected to be paid on Wednesday, 27 June 2012 to shareholders whose names appear on the register of members of the Company on Friday, 1 June 2012.

The register of members of the Company will be closed during the following periods:

(i) from Tuesday, 22 May 2012 to Thursday, 24 May 2012 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the AGM, during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2012.

(ii) from Wednesday, 30 May 2012 to Friday, 1 June 2012 (both days inclusive), for the purpose of determining shareholders' entitlement to the proposed final dividend, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Tuesday, 29 May 2012.

Report of the Directors (Continued)

Fixed Assets

Details of movements in the fixed assets of the Group and the Company during the year are set out in notes 12(a) and 12(b) to the financial statements respectively.

Principal Subsidiaries and Associates

Details of the Company's principal subsidiaries and associates as at 31 December 2011 are set out in notes 32 and 34 to the financial statements respectively.

Borrowings and Interest Capitalised

Details of borrowings of the Group and the Company are set out in note 21 to the financial statements. No interest (2010: HK$Nil) was capitalised by the Group during the year.

Share Capital

Details of the share capital of the Company are set out in note 23(b) to the financial statements.

Reserves

Profit attributable to shareholders of the Company of HK$213,155,000 (2010: HK$202,920,000) has 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 23(a) to the financial statements respectively.

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 27 to the financial statements.

Major Customers and Suppliers

Sales to the largest customer for the year ended 31 December 2011 represented 25.1% of the Group's total sales, and the combined total of sales to the five largest customers accounted for 40.4% of the Group's total sales for the year.

Purchases from the largest supplier for the year ended 31 December 2011 represented 41.2% 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 76.1% of the Group's total purchases for the year.

Report of the Directors (Continued)

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 132 and 133.

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

Charitable Donations

During the year, charitable donations made by the Group amounted to HK$60,000 (2010: HK$57,000).

Investment Properties

Particulars of the major investment properties of the Group are set out on page 134.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past 5 years ended 31 December 2011 is set out on pages 135 and 136.

Directors

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

Executive Directors

LIANG Jiang
LI Li
TAN Yunbiao
SUNG Hem Kuen

Non-Executive Directors

HUANG Xiaofeng
LUO Fanyu
LIANG Jianqin

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, Messrs. Tan Yunbiao, Gerard Joseph McMahon and Li Kar Keung, Caspar would retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

As at 31 December 2011, 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	1,210,000	Long position	0.133%
Li Li	Personal	1,417,000	Long position	0.156%
Tan Yunbiao	Personal	240,000	Long position	0.026%
Sung Hem Kuen	Personal	180,000	Long position	0.020%
Gerard Joseph McMahon	Personal	300,000	Long position	0.033%
Tam Wai Chu, Maria	Personal	200,000	Long position	0.022%
Li Kar Keung, Caspar	Personal	100,000	Long position	0.011%

Note: *The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of the Company in issue as at 31 December 2011.*

Report of the Directors (Continued)

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

(i) Share option scheme adopted on 11 June 2004 (the "2004 Share Option Scheme")

Name of Director	Date of grant of share options#	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2011	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	09.03.2006	2,000,000	–	–	–	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	–
Tan Yunbiao	09.03.2006	2,000,000	–	–	–	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	–
Luo Fanyu	09.03.2006	200,000	–	–	–	200,000	1	09.06.2006 to 08.03.2016	1.66	1.61	–
Li Kar Keung, Caspar	09.03.2006	200,000	–	–	–	200,000	1	09.06.2006 to 08.03.2016	1.66	1.61	–

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

Report of the Directors (Continued)

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

Name of Director	Date of grant of share options	Number of share options: At date of grant	At 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2011	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	30.12.2008	2,150,000	1,720,000	–	430,000	645,000	645,000	–	0.75	0.74	1.34
	05.07.2010	3,100,000	3,100,000	–	–	–	3,100,000	–	1.45	1.44	–
Li Li	05.07.2010	1,090,000	1,090,000	–	–	–	1,090,000	–	1.45	1.44	–
Tan Yunbiao	30.12.2008	1,200,000	960,000	–	240,000	360,000	360,000	–	0.75	0.74	1.34
	05.07.2010	2,100,000	2,100,000	–	–	–	2,100,000	–	1.45	1.44	–
Sung Hem Kuen	30.12.2008	900,000	720,000	–	180,000	270,000	270,000	–	0.75	0.74	1.34
	05.07.2010	1,860,000	1,860,000	–	–	–	1,860,000	–	1.45	1.44	–

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 (the "Board") upon grant and stated in the offer of grant.

Report of the Directors (Continued)

(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 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)*
Liang Jianqin	Personal	100,000	Long position	0.002%

Note: *The approximate percentage of interests held was calculated on the basis of 6,232,998,071 ordinary shares of Guangdong Investment Limited ("GDI") in issue as at 31 December 2011.*

Report of the Directors (Continued)

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

		Number of share options									
Name of Director	Date of grant of share options	At date of grant	At 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2011	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	24.10.2008	5,700,000	5,700,000	–	–	–	5,700,000	–	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 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*

Report of the Directors (Continued)

Δ *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.*

ΔΔ *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%
Liang Jianqin	Personal	56,222	Long position	0.003%

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 2011.*

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 538,019,000 ordinary shares of Guangdong Tannery Limited in issue as at 31 December 2011.*

Save as disclosed above, as at 31 December 2011, 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 terminated the Share Option Scheme adopted on 24 August 2001 and adopted the 2004 Share Option Scheme.

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.

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.

Report of the Directors (Continued)

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, 150,000 share options were lapsed and no share options were exercised nor cancelled under the 2004 Share Option Scheme.

As at 31 December 2011, options were outstanding under the 2004 Share Option Scheme entitling the holders to subscribe for 4,700,000 ordinary shares of the Company, which represent approximately 0.518% 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 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. 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.

Report of the Directors (Continued)

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 2011, 1,370,000 share options were exercised, 2,055,000 share options were lapsed, and no share options were granted nor cancelled under the 2008 Share Option Scheme.

At 31 December 2011, the Company had an outstanding of 2,055,000 share options granted on 30 December 2008 and an outstanding of 13,770,000 share options granted on 5 July 2010 under 2008 Share Option Scheme, which represented approximately 0.226% and 1.518% respectively 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 15,825,000 additional ordinary shares and the increases of share capital of HK$7,912,500 and share premium of HK$13,595,250 (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 59,750,328 which represented approximately 6.586% of the issued share capital of the Company as at the date of this report.

As at 31 December 2011, save as disclosed under "Interests (long positions) in options relating to ordinary shares" on pages 17 to 19, 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 22 to the financial statements.

Report of the Directors (Continued)

(i) 2004 Share Option Scheme

Category	Date of grant of share options#	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2011	Total consideration paid for share options granted	Exercise period of share options (both days inclusive)##	Exercise price of share options*	Price of ordinary share at date immediately before date of grant**	Price of ordinary share at date immediately before the exercise date**
	(DD.MM.YYYY)						HK$	(DD.MM.YYYY)	HK$ *(per share)*	HK$ *(per share)*	HK$ *(per share)*
Employees	09.03.2006	450,000	–	–	150,000	300,000	1	09.06.2006 to 08.03.2016	1.66	1.61	–

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

(ii) 2008 Share Option Scheme

Category	Date of grant of share options#	Number of share options: At date of grant	At 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2011	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	30.12.2008	2,600,000	2,080,000	–	520,000	780,000	780,000	–	0.75	0.74	1.34
	05.07.2010	5,620,000	5,620,000	–	–	–	5,620,000	–	1.45	1.44	–

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 pages 18 and 19.

(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 19.

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 2011, Mr. Huang Xiaofeng, 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 132 and 133.

Report of the Directors (Continued)

Substantial Shareholders

As at 31 December 2011, 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 *(Note)*	537,198,868	Long position	59.21%
GDH	537,198,868	Long position	59.21%

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 2011, 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 132 and 133, 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 2011, the loan has an outstanding balance of RMB25,000,000.

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 2011 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, 22 March 2012

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 2011.

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 2011.

Board of Directors

As at 31 December 2011, the board of Directors (the "Board") comprised four Executive Directors, being Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen, three Non-Executive Directors, being Messrs. Huang Xiaofeng and Luo Fanyu and Ms. Liang Jianqin, and three Independent Non-Executive Directors, being Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.

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 2011, the Board held four meetings.

Corporate Governance Report (Continued)

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 2011 are set out below:

	Board	Compensation Committee	Nomination Committee	Audit Committee
Executive Directors				
Liang Jiang	4/4		1/1	
Li Li	4/4			
Tan Yunbiao	4/4			
Sung Hem Kuen	4/4			
Non-Executive Directors				
Huang Xiaofeng	2/4			
Luo Fanyu	4/4			
Liang Jianqin	4/4			
Independent Non-Executive Directors				
Gerard Joseph McMahon	4/4	3/3	1/1	6/6
Tam Wai Chu, Maria	4/4	3/3	1/1	6/6
Li Kar Keung, Caspar	4/4	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 Company has 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, Deputy Chairman and General Manager

The Chairman is Mr. Liang Jiang, the Deputy Chairman is Mr. Li Li 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. Li Li as the Deputy Chairman and Mr. Tan Yunbiao as the General Manager are accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of operations in fresh and live foodstuffs business and tinplating business respectively.

Corporate Governance Report (Continued)

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. Details of the authority and duties of the Compensation Committee are available on the Company's website.

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 2011, 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.

Details of the authority and duties of the Nomination Committee are available on the Company's website.

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 2011, the Nomination Committee met once to review the structure, size and composition of the Board and to consider, nominate and recommend 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 2011 is set out as follows:

Services rendered	Fee
	HK$'000
Audit of final results	3,600
Review of interim results	736
Review of continuing connected transactions	210
	4,546

Audit Committee

The Audit Committee of the Company was established in 1999. Details of the authority and duties of the Audit Committee are available on the Company's website.

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 2011, the Audit Committee held six meetings, inter alia, to review the 2010 annual results and the 2011 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 2011, the Audit Committee met the external auditor once without the presence of the management to discuss any areas of concerns.

Corporate Governance Report (Continued)

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 35 and 36. In preparing the financial statements for the year ended 31 December 2011, 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 three months and two 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.

Corporate Governance Report (Continued)

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 2011, 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") and its subsidiaries (together the "Group") set out on pages 37 to 131, which comprise the consolidated and Company balance sheets as at 31 December 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report (Continued)

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 2011 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

22 March 2012

Consolidated Income Statement

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Turnover	3	3,404,115	2,870,206
Cost of sales		(3,092,725)	(2,508,669)
Gross profit		311,390	361,537
Other revenue	4	15,426	19,799
Other net income	4	59,308	31,167
Distribution costs		(69,919)	(60,328)
Administrative expenses		(98,633)	(92,348)
Other operating expenses		(2,535)	(16,555)
Profit from operations		215,037	243,272
Net valuation gains on investment properties		28,747	6,634
Finance costs	5(a)	(11,675)	(8,654)
Share of profits of associates		33,018	27,144
Profit before taxation	5	265,127	268,396
Income tax	6(a)	(33,400)	(49,760)
Profit for the year		231,727	218,636
Attributable to:			
Equity shareholders of the Company		213,155	202,920
Non-controlling interests		18,572	15,716
Profit for the year		231,727	218,636
Earnings per share	11		
Basic		23.5 cents	22.4 cents
Diluted		23.5 cents	22.4 cents

The notes on pages 47 to 131 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 2011
(Expressed in Hong Kong dollars)

	2011 **$'000**	2010 $'000
Profit for the year	**231,727**	218,636
Other comprehensive income for the year (after taxation):		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	**81,979**	52,138
Total comprehensive income for the year	**313,706**	270,774
Attributable to:		
Equity shareholders of the Company	**288,392**	250,752
Non-controlling interests	**25,314**	20,022
Total comprehensive income for the year	**313,706**	270,774

The amount of income tax relating to each component of other comprehensive income for the year is $Nil (2010: $Nil).

The notes on pages 47 to 131 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Fixed assets			
– Investment properties		**334,136**	295,832
– Other property, plant and equipment		**803,576**	825,123
– Interests in leasehold land held for own use under operating leases		**112,120**	109,884
	12(a)	**1,249,832**	1,230,839
Interest in associates	*14*	**299,259**	214,724
Deferred tax assets	*16(b)*	**3,914**	3,749
		1,553,005	1,449,312
Current assets			
Inventories	*17*	**368,536**	325,693
Trade and other receivables, deposits and prepayments	*18*	**769,312**	529,080
Current tax recoverable	*16(a)*	**876**	644
Cash and cash equivalents	*19*	**431,242**	589,822
		1,569,966	1,445,239
Current liabilities			
Trade and other payables	*20*	**361,626**	302,009
Bank loans	*21(a)*	**408,056**	335,872
Loans from a related company	*21(b)*	**79,560**	79,560
Current tax payable	*16(a)*	**21,399**	33,188
		870,641	750,629
Net current assets		**699,325**	694,610
Total assets less current liabilities		**2,252,330**	2,143,922
Non-current liabilities			
Bank loans	*21(a)*	**–**	160,000
Deferred tax liabilities	*16(b)*	**39,626**	44,600
		39,626	204,600
NET ASSETS		**2,212,704**	1,939,322

Consolidated Balance Sheet (Continued)

at 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
CAPITAL AND RESERVES			
Share capital	*23(b)*	**453,647**	452,962
Reserves		**1,588,069**	1,338,034
Total equity attributable to equity shareholders of the Company		**2,041,716**	1,790,996
Non-controlling interests		**170,988**	148,326
TOTAL EQUITY		**2,212,704**	1,939,322

Approved and authorised for issue by the board of directors on 22 March 2012.

Tan Yunbiao
Director

Sung Hem Kuen
Director

The notes on pages 47 to 131 form part of these financial statements.

Balance Sheet

at 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Fixed assets			
– Investment properties		**130,400**	104,500
– Other property, plant and equipment		**144**	258
	12(b)	**130,544**	104,758
Interest in subsidiaries	13	**537,358**	535,132
Interest in associate	14	**164,278**	164,278
		832,180	804,168
Current assets			
Trade and other receivables, deposits and prepayments	18	**35,361**	34,723
Cash and cash equivalents	19	**6,660**	2,711
		42,021	37,434
Current liabilities			
Trade and other payables	20	**10,636**	13,553
Net current assets		**31,385**	23,881
NET ASSETS		**863,565**	828,049
CAPITAL AND RESERVES			
Share capital	23(b)	**453,647**	452,962
Reserves		**409,918**	375,087
TOTAL EQUITY	23(a)	**863,565**	828,049

Approved and authorised for issue by the board of directors on 22 March 2012.

Tan Yunbiao
Director

Sung Hem Kuen
Director

The notes on pages 47 to 131 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011
(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 reserve $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2011		452,962	4,770	3,352	232,544	107,440	14,431	975,497	1,790,996	148,326	1,939,322
Changes in equity for 2011:											
Profit for the year		–	–	–	–	–	–	213,155	213,155	18,572	231,727
Other comprehensive income – Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		–	–	–	75,237	–	–	–	75,237	6,742	81,979
Total comprehensive income		–	–	–	75,237	–	–	213,155	288,392	25,314	313,706
Transfer to statutory reserves		–	–	–	–	–	30,405	(30,405)	–	–	–
Exercise of share options		685	649	(306)	–	–	–	–	1,028	–	1,028
Share options lapsed during the year		–	–	(44)	–	–	–	44	–	–	–
Share-based payment expenses for the year		–	–	2,100	–	–	–	–	2,100	–	2,100
Dividends declared to minority shareholders		–	–	–	–	–	–	–	–	(2,652)	(2,652)
Dividends approved in respect of the previous year	*10(b)*	–	–	–	–	–	–	(18,118)	(18,118)	–	(18,118)
Dividends declared in respect of the current year	*10(a)*	–	–	–	–	–	–	(22,682)	(22,682)	–	(22,682)
Balance at 31 December 2011		453,647	5,419	5,102	307,781	107,440	44,836	1,117,491	2,041,716	170,988	2,212,704

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital $'000	Share premium $'000	Capital reserve-share options $'000	Exchange reserve $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		452,862	4,480	2,101	184,712	107,440	10,303	830,877	1,592,775	131,734	1,724,509
Changes in equity for 2010:											
Profit for the year		–	–	–	–	–	–	202,920	202,920	15,716	218,636
Other comprehensive income – Exchange differences on translation of financial statements of subsidiaries and associate outside Hong Kong		–	–	–	47,832	–	–	–	47,832	4,306	52,138
Total comprehensive income		–	–	–	47,832	–	–	202,920	250,752	20,022	270,774
Transfer to statutory reserves		–	–	–	–	–	4,128	(4,128)	–	–	–
Exercise of share options		100	290	(58)	–	–	–	–	332	–	332
Share options lapsed during the year		–	–	(184)	–	–	–	184	–	–	–
Share-based payment expenses for the year		–	–	1,493	–	–	–	–	1,493	–	1,493
Dividends declared to a minority shareholder		–	–	–	–	–	–	–	–	(3,430)	(3,430)
Dividends approved in respect of the previous year	*10(b)*	–	–	–	–	–	–	(27,178)	(27,178)	–	(27,178)
Dividends declared in respect of the current year	*10(a)*	–	–	–	–	–	–	(27,178)	(27,178)	–	(27,178)
Balance at 31 December 2010		452,962	4,770	3,352	232,544	107,440	14,431	975,497	1,790,996	148,326	1,939,322

The notes on pages 47 to 131 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Operating activities					
Profit before taxation		265,127		268,396	
Adjustments for:					
– Finance costs	5(a)	11,675		8,654	
– Interest income	4	(8,906)		(11,909)	
– Net valuation gains on investment properties	12(a)	(28,747)		(6,634)	
– Net loss on disposal of fixed assets	4	429		294	
– Impairment losses on trade receivables	5(c)	144		–	
– Depreciation	12(a)	81,721		83,763	
– Amortisation of land lease premium	12(a)	3,143		3,026	
– Share of profits of associates		(33,018)		(27,144)	
– Foreign exchange gain		(30,311)		(16,540)	
– Write back of liabilities	4	(28,658)		(4,810)	
– Net loss on forward foreign exchange contracts	4	6,550		1,305	
– Impairment losses on fixed assets		–		14,704	
– Equity-settled share-based payment expenses	5(b)	2,100		1,493	
– Excess of the Group's interest in the acquirees' net fair value of identifiable assets and liabilities over the costs of acquisition	4	(475)		–	
Operating profit before changes in working capital		240,774		314,598	

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Operating profit before changes in working capital		**240,774**		314,598	
Increase in inventories		**(26,088)**		(115,516)	
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(259,198)**		19,911	
Decrease/(increase) in amounts due from a related company		**43,937**		(44,433)	
Decrease in trade and other payables		**(11,956)**		(976)	
Increase in amounts due to a related company		**95,278**		14,417	
Increase in amounts due to associates		**1,411**		–	
Cash generated from operations		**84,158**		188,001	
Interest received		**8,005**		10,505	
Interest paid		**(9,233)**		(7,380)	
Hong Kong Profits Tax paid		**(13,270)**		(17,006)	
PRC income tax paid		**(40,176)**		(28,038)	
Net cash generated from operating activities			**29,484**		146,082
Investing activities					
Payment for the purchase of fixed assets		**(30,065)**		(28,436)	
Payment for the acquisition of associates		**(59,907)**		–	
Dividends received from an associate		**22,260**		33,253	
Proceeds on disposal of fixed assets		**985**		1,073	
Net cash (used in)/generated from investing activities			**(66,727)**		5,890

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Financing activities					
Dividends paid to equity shareholders of the Company		**(40,800)**		(54,356)	
Dividends paid to a minority shareholder		**–**		(3,430)	
Proceeds from bank loans		**459,339**		495,876	
Proceeds from banks on discounted bills		**12,281**		51,066	
Repayment of proceeds from banks on discounted bills		**(7,364)**		(51,066)	
Repayment of bank loans		**(568,848)**		(390,944)	
Proceeds from loans from a related company		**79,560**		–	
Repayment of loans from a related company		**(79,560)**		–	
Proceeds from shares issued under share option schemes		**1,028**		332	
Decrease/(increase) in pledged bank deposits		**88,293**		(49,065)	
Net cash used in financing activities			**(56,071)**		(1,587)
(Decrease)/increase in cash and cash equivalents			**(93,314)**		150,385
Cash and cash equivalents at 1 January			**294,739**		134,943
Effect of foreign exchange rate changes			**8,388**		9,411
Cash and cash equivalents at 31 December	*19*		**209,813**		294,739

The notes on pages 47 to 131 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 1(c) 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 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

– derivative financial instruments (see note 1(h)); and

– investment properties (see note 1(i)).

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

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

– HKAS 24 (revised 2009), Related party disclosures

– Improvements to HKFRSs (2010)

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

The impacts of the developments are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods.

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 24 are consistent with the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements in the current and previous periods.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling 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 non-controlling interests and the equity shareholders of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 1(o) or 1(p) depending on the nature of the liability.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(e) 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. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted 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 notes 1(f) and 1(l)). Any acquisition-date excess over cost, 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial assets (see note 1(g)).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) 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. These investments are subsequently accounted for as follows, depending on their classification:

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(l)(i)).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(h) 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.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) 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(u)(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(k)), 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(k).

(j) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(k)); and

– other items of plant and equipment.

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

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

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as 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(i)); 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(i)).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(l) Impairment of assets

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

Investments in equity securities 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;

– 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 subsidiaries and associates, 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(l)(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(l)(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

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

– 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 these financial assets 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.

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 amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

(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; and

– pre-paid interests in leasehold land classified as being held under an operating lease.

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).

– *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.

1. Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

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

(m) Inventories

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

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

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

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

(n) 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 using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(o) 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.

(p) 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.

(q) 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.

(r) 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 benefit schemes is set out in note 27.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(r) 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 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.

(s) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(s) Income tax (Continued)

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

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(s) 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.

(t) 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(t)(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(t) 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.

(u) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(u) Revenue recognition (Continued)

(iv) Dividends

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

(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 attached 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.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign 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 foreign 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(w) 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 of sale are interrupted or complete.

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in note 1(x)(i).

(7) A person identified in note 1(x)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(y) 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. 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(i), 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Significant accounting estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

(b) Income taxes (Continued)

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. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

(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 losses for bad and doubtful debts are assessed and provided for based on the management's regular review of ageing analyses 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(m). 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 written-down or the related reversals of write-downs 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Turnover and segment reporting

(a) 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:

	2011 $'000	2010 $'000
Sales of goods		
– Tinplate products	3,107,232	2,627,159
– Fresh and live foodstuffs	167,199	127,870
	3,274,431	2,755,029
Commission income from the distribution of fresh and live foodstuffs	102,094	88,241
Rental income from property leasing	27,590	26,936
	3,404,115	2,870,206

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2011, 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 $856,080,000 (2010: $803,407,000) as also disclosed in note 26(a)(i). Details of concentrations of credit risk are set out in note 24(a).

Further details regarding the Group's principal activities are disclosed below:

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting

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

– Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for the food processing manufacturers.

– Fresh and live foodstuffs : this segment distributes, purchases and sells fresh and live foodstuffs.

– Property leasing : this segment leases office and industrial premises to generate rental income.

(i) 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 and current assets with the exception of interest in associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue from external customers	3,107,232	2,627,159	269,293	216,111	27,590	26,936	3,404,115	2,870,206
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	3,107,232	2,627,159	269,293	216,111	27,590	26,936	3,404,115	2,870,206
Reportable segment profit	112,229	167,508	90,689	74,787	16,902	16,299	219,820	258,594
Reportable segment assets	2,348,387	2,245,592	196,204	122,302	343,012	308,621	2,887,603	2,676,515
(including interest in associates)	–	–	71,046	–	–	–	71,046	–
Reportable segment liabilities	840,876	850,977	20,389	29,744	36,367	35,343	897,632	916,064
Depreciation and amortisation for the year	82,458	84,778	502	478	1,789	1,363	84,749	86,619
Interest income	8,898	11,901	8	8	–	–	8,906	11,909
Write-down of inventories	11,782	13,928	–	–	–	–	11,782	13,928
Impairment losses on fixed assets	–	14,704	–	–	–	–	–	14,704
Additions to non-current segment assets during the year	22,544	33,033	59,996	657	–	17	82,540	33,707

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	2011 $'000	2010 $'000
Profit		
Reportable segment profit derived from the Group's external customers	219,820	258,594
Unallocated head office and corporate income and expenses	3,107	(15,322)
Net valuation gains on investment properties	28,747	6,634
Finance costs	(11,675)	(8,654)
Share of profit of associate not attributable to any segment	25,128	27,144
Consolidated profit before taxation	265,127	268,396
Assets		
Reportable segment assets	2,887,603	2,676,515
Interest in associate not attributable to any segment	228,213	214,724
Unallocated head office and corporate assets	7,155	3,312
Consolidated total assets	3,122,971	2,894,551
Liabilities		
Reportable segment liabilities	897,632	916,064
Unallocated head office and corporate liabilities	12,635	39,165
Consolidated total liabilities	910,267	955,229

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

(iii) 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 associates ("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 associates.

	Revenue from external customers		**Specified non-current assets**	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Hong Kong (place of domicile)	**406,771**	293,528	**131,271**	105,900
Mainland China	**1,466,956**	1,242,945	**1,417,820**	1,339,663
Asian countries (excluding Mainland China and Hong Kong)	**1,071,237**	1,151,447	**–**	–
Other countries	**459,151**	182,286	**–**	–
	2,997,344	2,576,678	**1,417,820**	1,339,663
	3,404,115	2,870,206	**1,549,091**	1,445,563

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4. Other revenue and net income

	2011 $'000	2010 $'000
Other revenue		
Interest income	**8,906**	11,909
Subsidies received	**1,609**	1,804
Others	**4,911**	6,086
	15,426	19,799
Other net income		
Net realised and unrealised exchange gain	**37,154**	27,956
Net loss on forward foreign exchange contracts	**(6,550)**	(1,305)
Write back of liabilities *(note)*	**28,658**	4,810
Net loss on disposal of fixed assets	**(429)**	(294)
Excess of the Group's interest in the acquirees' net fair value of identifiable assets and liabilities over the costs of acquisition	**475**	–
	59,308	31,167

Note: The amounts mainly represent the write back of long outstanding liabilities as the statutory limitation periods stipulated in the relevant laws and regulations had expired and no actions were taken by these creditors.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5. Profit before taxation

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

	Note	2011 $'000	2010 $'000
(a) Finance costs			
Interest on bank advances and other borrowings wholly repayable within 5 years		**10,647**	6,975
Interest on loans from a related company		**1,028**	1,679
		11,675	8,654
(b) Staff costs			
Net contributions paid to defined contribution retirement plans		**8,673**	7,164
Equity-settled share-based payment expenses		**2,100**	1,493
Salaries, wages and other benefits		**125,672**	105,898
		136,445	114,555
(c) Other items			
Cost of inventories sold	*(i), 17(b)*	**3,071,169**	2,487,742
Auditors' remuneration		**4,846**	3,626
Depreciation		**81,721**	83,763
Amortisation of land lease premium		**3,143**	3,026
Impairment losses on trade receivables		**144**	–
Reversal of impairment losses on trade receivables		**–**	(256)
Write-down of inventories	*17(b)*	**11,782**	13,928
Impairment losses on fixed assets		**–**	14,704
Operating lease charges in respect of property rentals		**6,717**	5,506
Rentals receivable from investment properties less direct outgoings of $2,322,000 (2010: $2,111,000)		**(25,268)**	(24,825)

Note:

(i) Cost of inventories sold includes $146,950,000 (2010: $133,515,000) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	Note	2011 $'000	2010 $'000
Current tax – Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2010: 16.5%) on the estimated assessable profits for the year		**13,282**	10,002
Under/(over)-provision in respect of prior years		**48**	(651)
		13,330	9,351
Current tax – the PRC			
Tax for the year		**30,817**	40,018
Over-provision in respect of prior years	*(iv)*	**(3,813)**	(13,123)
		27,004	26,895
Deferred tax			
Origination and reversal of temporary differences		**(6,934)**	13,514
	(i)	**33,400**	49,760

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 2011 is calculated by applying the estimated annual effective tax rate of 16.5% (2010: 16.5%) to the year ended 31 December 2011. Income tax for subsidiaries established and operating in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant provinces or economic zones in the PRC.

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

(iii) Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd., being a foreign investment enterprise established in the PRC before the New Tax Law was passed on 16 March 2007, was entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. The provision for 2011 is calculated by applying the tax rate of 12%, being 50% of the transitional tax rate of 24%, to the taxable profit for the current year.

(iv) The amount represents reversal of an over-provision for PRC income tax in respect of 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2011 $'000	2010 $'000
Profit before taxation	**265,127**	268,396
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**49,806**	59,654
Tax effect of non-deductible expenses	**4,119**	3,364
Tax effect of non-taxable revenue	**(8,611)**	(4,963)
Tax effect of current year's tax losses not recognised	**–**	203
Tax effect of utilisation of previous years' unrecognised tax losses	**(8,149)**	(4,430)
Tax effect of recognition of previous years' unrecognised temporary differences	**–**	9,706
Over-provision in respect of prior years	**(3,765)**	(13,774)
Actual tax expense	**33,400**	49,760

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7. Directors' remuneration

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

	2011						
	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Retirement schemes contributions $'000	Bonus $'000	Sub-total $'000	Share-based payments $'000 *(Note)*	Total $'000
Executive directors							
Liang Jiang	–	633	359	780	1,772	454	2,226
Li Li	–	637	216	747	1,600	183	1,783
Tan Yunbiao	–	455	272	796	1,523	315	1,838
Sung Hem Kuen	–	1,046	30	318	1,394	284	1,678
Non-executive directors							
Huang Xiaofeng	–	–	–	–	–	–	–
Luo Fanyu	–	–	–	–	–	–	–
Liang Jianqin	–	–	–	–	–	–	–
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	–	3,671	877	2,641	7,189	1,236	8,425

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7. Directors' remuneration (Continued)

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

	2010						
	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Retirement schemes contributions $'000	Bonus $'000	Sub-total $'000	Share-based payments $'000 *(Note)*	Total $'000
Executive directors							
Liang Jiang	–	539	328	772	1,639	336	1,975
Li Li (appointed on 12 April 2010)	–	444	106	309	859	90	949
Tan Yunbiao	–	409	287	1,095	1,791	218	2,009
Sung Hem Kuen	–	983	30	438	1,451	187	1,638
Non-executive directors							
Huang Xiaofeng	–	–	–	–	–	–	–
Luo Fanyu	–	–	–	–	–	–	–
Liang Jianqin (appointed on 10 September 2010)	–	–	–	–	–	–	–
Hou Zhuobing (resigned on 10 September 2010)	–	–	–	–	–	45	45
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	–	3,275	751	2,614	6,640	876	7,516

Note: This represents 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(r)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Schemes of the Company" in the "Report of the Directors" and note 22.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8. Individuals with highest emoluments

Of the five individuals with highest emoluments, four (2010: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2010: two) individuals are as follows:

	2011 $'000	2010 $'000
Basic salaries, allowances and other benefits	**544**	855
Retirement schemes contributions	**183**	336
Share-based payments	**227**	341
Bonus	**624**	1,674
	1,578	3,206

The emoluments of the one (2010: two) individual with the highest emoluments are within the following bands:

$	**2011 Number of individuals**	2010 Number of individuals
1,500,001 – 2,000,000	**1**	2

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $50,928,000 (2010: $42,216,000) which has been dealt with in the financial statements of the Company.

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

	2011 $'000	2010 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**50,928**	42,216
Dividends from associate and subsidiary attributable to the profits of the previous financial year, approved and payable/paid during the year	**22,260**	22,534
Company's profit for the year *(note 23(a))*	**73,188**	64,750

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:

	2011 $'000	2010 $'000
Interim dividend declared and paid of 2.5 cents (2010: 3.0 cents) per ordinary share	**22,682**	27,178
Final dividend proposed after the balance sheet date of 2.5 cents (2010: 2.0 cents) per ordinary share	**22,682**	18,118
	45,364	45,296

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10. Dividends (Continued)

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

	2011 $'000	2010 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.0 cents (2010: 3.0 cents) per ordinary share	**18,118**	27,178

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 $213,155,000 (2010: $202,920,000) and the weighted average number of 906,677,000 (2010: 905,855,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 '000	2010 '000
Issued ordinary shares at 1 January	**905,923**	905,723
Effect of share options exercised *(notes 22 and 23(c))*	**754**	132
Weighted average number of ordinary shares	**906,677**	905,855

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Earnings per share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $213,155,000 (2010: $202,920,000) and the weighted average number of ordinary shares (diluted) of 907,606,000 (2010: 906,541,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011 **'000**	2010 '000
Weighted average number of ordinary shares used in the basic earnings per share calculation	**906,677**	905,855
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(note 22)*	**929**	686
Weighted average number of ordinary shares (diluted)	**907,606**	906,541

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. 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 2011	428,777	1,918	9,890	746,929	9,688	1,197,202	295,832	133,174	1,626,208
Exchange adjustments	20,813	–	491	32,305	409	54,018	9,557	6,534	70,109
Additions	561	–	7,822	13,551	699	22,633	–	–	22,633
Disposals	–	–	–	(18,157)	(526)	(18,683)	–	–	(18,683)
Transfer in from construction in progress	479	–	(13,464)	12,985	–	–	–	–	–
Fair value adjustment	–	–	–	–	–	–	28,747	–	28,747
At 31 December 2011	450,630	1,918	4,739	787,613	10,270	1,255,170	334,136	139,708	1,729,014
Representing:									
Cost	450,630	1,918	4,739	787,613	10,270	1,255,170	–	139,708	1,394,878
Valuation – 2011	–	–	–	–	–	–	334,136	–	334,136
	450,630	1,918	4,739	787,613	10,270	1,255,170	334,136	139,708	1,729,014
Accumulated depreciation and impairment losses:									
At 1 January 2011	109,162	1,918	–	253,957	7,042	372,079	–	23,290	395,369
Exchange adjustments	5,367	–	–	9,360	303	15,030	–	1,155	16,185
Charge for the year	17,777	–	–	62,915	1,029	81,721	–	3,143	84,864
Written back on disposals	–	–	–	(16,763)	(473)	(17,236)	–	–	(17,236)
At 31 December 2011	132,306	1,918	–	309,469	7,901	451,594	–	27,588	479,182
Net book value:									
At 31 December 2011	318,324	–	4,739	478,144	2,369	803,576	334,136	112,120	1,249,832

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. 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 operating leases $'000	Total $'000
Cost or valuation:									
At 1 January 2010	408,586	1,918	11,477	707,394	8,613	1,137,988	282,420	130,447	1,550,855
Exchange adjustments	12,898	–	399	22,366	257	35,920	6,761	2,727	45,408
Additions	4,900	–	23,118	4,671	1,050	33,739	17	–	33,756
Disposals	–	–	–	(10,213)	(232)	(10,445)	–	–	(10,445)
Transfer in from construction in progress	2,393	–	(25,104)	22,711	–	–	–	–	–
Fair value adjustment	–	–	–	–	–	–	6,634	–	6,634
At 31 December 2010	428,777	1,918	9,890	746,929	9,688	1,197,202	295,832	133,174	1,626,208
Representing:									
Cost	428,777	1,918	9,890	746,929	9,688	1,197,202	–	133,174	1,330,376
Valuation – 2010	–	–	–	–	–	–	295,832	–	295,832
	428,777	1,918	9,890	746,929	9,688	1,197,202	295,832	133,174	1,626,208
Accumulated depreciation and impairment losses:									
At 1 January 2010	87,157	1,909	–	178,471	5,838	273,375	–	19,792	293,167
Exchange adjustments	2,975	–	–	6,147	193	9,315	–	472	9,787
Charge for the year	19,030	9	–	63,620	1,104	83,763	–	3,026	86,789
Written back on disposals	–	–	–	(8,985)	(93)	(9,078)	–	–	(9,078)
Impairment losses	–	–	–	14,704	–	14,704	–	–	14,704
At 31 December 2010	109,162	1,918	–	253,957	7,042	372,079	–	23,290	395,369
Net book value:									
At 31 December 2010	319,615	–	9,890	492,972	2,646	825,123	295,832	109,884	1,230,839

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. Fixed assets (Continued)

(a) The Group (Continued)

Impairment losses

During the financial year ended 31 December 2010, certain equipment and machinery became idle. The Group assessed the recoverable amounts of those fixed assets and as a result the carrying amount of the fixed assets was written down by $14,704,000 (included in "other operating expenses"). The estimates of recoverable amount were based on the fixed assets' fair value less cost to sell, determined by reference to selling prices for similar assets within the same industry.

(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 2011	1,385	1,261	1,220	3,866	104,500	108,366
Disposals	–	(4)	–	(4)	–	(4)
Fair value adjustment	–	–	–	–	25,900	25,900
At 31 December 2011	1,385	1,257	1,220	3,862	130,400	134,262
Representing:						
Cost	1,385	1,257	1,220	3,862	–	3,862
Valuation – 2011	–	–	–	–	130,400	130,400
	1,385	1,257	1,220	3,862	130,400	134,262
Accumulated depreciation:						
At 1 January 2011	1,385	1,040	1,183	3,608	–	3,608
Charge for the year	–	77	37	114	–	114
Written back on disposals	–	(4)	–	(4)	–	(4)
At 31 December 2011	1,385	1,113	1,220	3,718	–	3,718
Net book value:						
At 31 December 2011	–	144	–	144	130,400	130,544

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. 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 2010	1,385	1,349	1,220	3,954	95,885	99,839
Additions	–	49	–	49	–	49
Disposals	–	(137)	–	(137)	–	(137)
Fair value adjustment	–	–	–	–	8,615	8,615
At 31 December 2010	1,385	1,261	1,220	3,866	104,500	108,366
Representing:						
Cost	1,385	1,261	1,220	3,866	–	3,866
Valuation – 2010	–	–	–	–	104,500	104,500
	1,385	1,261	1,220	3,866	104,500	108,366
Accumulated depreciation:						
At 1 January 2010	1,376	1,067	1,119	3,562	–	3,562
Charge for the year	9	97	64	170	–	170
Written back on disposals	–	(124)	–	(124)	–	(124)
At 31 December 2010	1,385	1,040	1,183	3,608	–	3,608
Net book value:						
At 31 December 2010	–	221	37	258	104,500	104,758

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. Fixed assets (Continued)

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
In Hong Kong on long-term leases	**130,400**	104,500	**130,400**	104,500
Elsewhere in the PRC on medium-term leases	**634,180**	620,831	**–**	–
	764,580	725,331	**130,400**	104,500
Representing:				
Land and buildings carried at fair value	**334,136**	295,832	**130,400**	104,500
Buildings carried at cost	**318,324**	319,615	**–**	–
	652,460	615,447	**130,400**	104,500
Interest in leasehold land held for use under operating leases	**112,120**	109,884	**–**	–
	764,580	725,331	**130,400**	104,500

(d) Investment properties of the Group and the Company situated in Hong Kong with an aggregate value of $130,400,000 (2010: $104,500,000) were revalued at 31 December 2011 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 $203,736,000 (2010: $191,332,000) were revalued at 31 December 2011 by either 廣東財興資產評估土地房地產估價有限公司 or 秦皇島正揚資產評估事務所, independent firms of valuers registered in the PRC, 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. Fixed assets (Continued)

(e) (Continued)

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within 1 year	**19,280**	12,899	**1,961**	4,297
After 1 year but within 5 years	**21,225**	10,996	**366**	1,315
After 5 years	**15,085**	16,422	**–**	–
	55,590	40,317	**2,327**	5,612

13. Interest in subsidiaries

	The Company	
	2011	2010
	$'000	$'000
Unlisted shares, at cost	**210,659**	210,659
Loans to subsidiaries *(note (ii))*	**146,043**	140,861
Amounts due from subsidiaries *(note (iii))*	**439,625**	442,581
	796,327	794,101
Less: Impairment losses	**(258,969)**	(258,969)
	537,358	535,132

Notes:

(i) Details of the principal subsidiaries are set out in note 32. Details of a company under liquidation which has not been consolidated in the financial statements are set out in note 33.

(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 for both years. The loans are unsecured and not expected to be recovered within one year.

(iii) Amounts due from subsidiaries are interest-free, unsecured and have no fixed terms of repayment but are not expected to be recovered within 12 months of the balance sheet date.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14. Interest in associates

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**–**	–	**240,000**	240,000
Share of net assets	**299,259**	214,724	**–**	–
	299,259	214,724	**240,000**	240,000
Less: Impairment losses	**–**	–	**(75,722)**	(75,722)
	299,259	214,724	**164,278**	164,278

Details of the associates, which are incorporated in the PRC, are set out in note 34.

(a) Summary of financial information on associates

	Assets	Liabilities	Shareholders' equity	Revenue	Profit after tax
	$'000	$'000	$'000	$'000	$'000
2011					
100 per cent	**1,679,546**	**(744,188)**	**904,880**	**2,622,112**	**102,404**
Group's effective interest	**573,523**	**(266,612)**	**299,259**	**957,867**	**33,018**
2010					
100 per cent	727,634	(190,824)	536,810	1,849,567	67,859
Group's effective interest	291,054	(76,330)	214,724	739,827	27,144

(b) Acquisition of associates

On 13 January 2011, the Group acquired a 19.53% equity interest in Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu") (formerly known as Hubei Liangyou Livestock and Poultry Co., Ltd.), a limited liability company established in the PRC, at a consideration of RMB40 million (equivalent to approximately $47 million). Hubei Jinxu and its subsidiaries are in the business of pig farming and sales of pigs and related activities. Management consider that the Group is able to exercise significant influence over Hubei Jinxu as a result of representation on the board of directors, secondment of management personnel and material transactions between two entities and, therefore, has accounted for the investment as an associate.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14. Interest in associates (Continued)

(b) Acquisition of associates (Continued)

On 29 September 2011, the Group acquired a 34% equity interest in Guangdong Zijin Baojin Livestock Co., Ltd. ("Guangdong Baojin"), a limited liability company established in the PRC, at a consideration of RMB10.2 million (equivalent to approximately $13 million). Guangdong Baojin and its subsidiary are in the business of pig farming and sales of pigs.

Details of assets acquired and liabilities assumed of Hubei Jinxu and Guangdong Baojin as at the acquisition dates were as follows:

	$'000
Fixed assets	165,085
Biological assets	67,744
Other non-current assets	23,559
Inventories	16,249
Trade and other receivables	85,993
Cash and cash equivalents	69,445
Trade and other payables	(73,820)
Interest bearing borrowings	(134,745)
Deferred tax liabilities	(14,885)
Non-controlling interests	(24,493)
Net identifiable assets and liabilities	180,132
Capital injection by the Group and other shareholders	100,649
	280,781
Share of net assets	60,382
Excess of the Group's interest in the acquirees' net fair value of the identifiable assets and liabilities over the cost of acquisition *(note 4)*	(475)
Consideration paid in cash	59,907

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15. Other non-current financial assets

	The Group and the Company	
	2011	2010
	$'000	$'000
Equity securities		
Unlisted equity securities, at cost	**540**	540
Less: Impairment losses	**(540)**	(540)
	–	–

16. Income tax in the balance sheet

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

	The Group	
	2011	2010
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**13,282**	10,002
Provisional Profits Tax paid	**(10,050)**	(6,830)
	3,232	3,172
Balance of Profits Tax payable relating to prior years	**1,268**	1,268
Taxation outside Hong Kong	**16,023**	28,104
	20,523	32,544
Representing:		
Current tax recoverable	**(876)**	(644)
Current tax payable	**21,399**	33,188
	20,523	32,544

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16. Income tax in the balance sheet (Continued)

(b) Deferred tax assets and liabilities recognised:

The Group

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

	Depreciation allowances in excess of the related depreciation $'000	Revaluation of investment properties $'000	Tax losses $'000	Write-down of inventories $'000	Withholding tax on undistributed profits of PRC subsidiaries and associates $'000	Others $'000	Total $'000
Deferred tax arising from:							
At 1 January 2011	**12,450**	**16,967**	**(3,183)**	**(2,415)**	**18,556**	**(1,524)**	**40,851**
Exchange adjustments	**640**	**680**	**–**	**(109)**	**665**	**(81)**	**1,795**
Charged/(credited) to the consolidated income statement	**366**	**4,985**	**(4,269)**	**433**	**(8,234)**	**(215)**	**(6,934)**
At 31 December 2011	**13,456**	**22,632**	**(7,452)**	**(2,091)**	**10,987**	**(1,820)**	**35,712**
At 1 January 2010	14,398	15,588	(2,189)	(813)	606	(1,044)	26,546
Exchange adjustments	450	453	–	(65)	–	(47)	791
Charged/(credited) to the consolidated income statement	(2,398)	926	(994)	(1,537)	17,950	(433)	13,514
At 31 December 2010	12,450	16,967	(3,183)	(2,415)	18,556	(1,524)	40,851

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16. Income tax in the balance sheet (Continued)

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

	The Group	
	2011	2010
	$'000	$'000
Net deferred tax assets recognised on the consolidated balance sheet	**(3,914)**	(3,749)
Net deferred tax liabilities recognised on the consolidated balance sheet	**39,626**	44,600
	35,712	40,851

(c) Deferred tax assets not recognised:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Future benefit of tax losses	**360,351**	368,500	**355,162**	363,292

In accordance with the accounting policy set out in note 1(s), the Group and the Company did not recognise deferred tax assets in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under the current tax legislation.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2011	2010
	$'000	$'000
Raw materials, spare parts and consumables	**131,812**	168,659
Work in progress	**13,461**	20,827
Finished goods	**223,263**	136,207
	368,536	325,693

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2011	2010
	$'000	$'000
Carrying amount of inventories sold	**3,059,387**	2,473,814
Write-down of inventories	**11,782**	13,928
	3,071,169	2,487,742

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. Trade and other receivables, deposits and prepayments

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade debtors	**135,138**	94,324	**3**	6
Bills receivable	**471,175**	281,132	**–**	–
Other receivables, deposits and prepayments	**139,575**	86,263	**456**	451
Amounts due from a related company *(note (i))*	**23,424**	67,361	**–**	–
Amounts due from subsidiaries	**–**	–	**34,902**	34,266
	769,312	529,080	**35,361**	34,723

Notes:

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

(ii) Included in the trade and other receivables, deposits and prepayments of the Group are balances totalling $368,000 (2010: $170,000) expected to be recovered after one year.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. 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	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Current	**628,198**	435,395	**3**	–
Less than 1 month past due	**–**	4,461	**–**	–
1 to 3 months past due	**1,539**	2,596	**–**	6
More than 3 months but less than 12 months past due	**–**	365	**–**	–
Amounts past due	**1,539**	7,422	**–**	6
	629,737	442,817	**3**	6

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 24(a).

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

(b) Impairment of trade debtors and bills receivable

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

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
At 1 January	**–**	256	**–**	–
Impairment losses recognised	**144**	–	**–**	–
Reversal of impairment losses	**–**	(256)	**–**	–
At 31 December	**144**	–	**–**	–

At 31 December 2011, $94,000 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 the balance is not expected to be recovered. Consequently, full specific allowances for doubtful debts of $94,000 were recognised. At 31 December 2010, none of the Group's trade debtors and bills receivable were individually determined to be impaired.

The Group does not hold any collateral over these balances.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current	**628,095**	435,395	**3**	–
Less than 1 month past due	**–**	4,461	**–**	–
1 to 3 months past due	**1,539**	2,596	**–**	6
More than 3 months but less than 12 months past due	**–**	365	**–**	–
Amounts past due	**1,539**	7,422	**–**	6
	629,634	442,817	**3**	6

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19. Cash and cash equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deposits with banks	**258,878**	294,813	**–**	–
Cash at bank and in hand	**172,364**	295,009	**6,660**	2,711
Cash and cash equivalents in the balance sheets	**431,242**	589,822	**6,660**	2,711
Pledged bank deposits	**(221,429)**	(295,083)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**209,813**	294,739		

20. Trade and other payables

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade creditors	**35,116**	56,558	**–**	–
Other payables and accrued charges	**122,737**	140,902	**10,636**	13,553
Amounts due to a related company *(note (i))*	**174,143**	78,865	**–**	–
Amounts due to associates *(note (ii))*	**1,411**	–	**–**	–
Amount due to a fellow subsidiary	**23,250**	23,250	**–**	–
Dividend payable to minority shareholders	**2,399**	–	**–**	–
Derivative financial instruments	**2,570**	2,434	**–**	–
	361,626	302,009	**10,636**	13,553

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20. Trade and other payables (Continued)

Notes:

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

(ii) The amounts represent trade balances due to associates.

(iii) The amount of trade and other payables expected to be settled after more than one year is $2,534,000 (2010: $1,408,000).

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Due within 1 month or on demand	**210,670**	135,423	**–**	–

21. Borrowings

(a) Bank loans

	The Group	
	2011	2010
	$'000	$'000
Unsecured *(note (i))*	**211,951**	218,987
Secured by bills receivable *(note (ii))*	**5,031**	–
Secured by bank deposits *(note (iii))*	**191,074**	276,885
	408,056	495,872

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21. Borrowings (Continued)

(a) Bank loans (Continued)

At 31 December 2011, the bank loans were repayable as follows:

	The Group	
	2011	2010
	$'000	$'000
Within 1 year or on demand	**408,056**	335,872
After 1 year but within 2 years	**–**	160,000
	408,056	495,872

Notes:

(i) Included in unsecured bank loans are loans of $160,000,000 (2010: $160,000,000) which are guaranteed by the Company and subject to fulfilment of certain loan covenants (note 21(a)(iv)).

(ii) The loans are secured by bills receivable with carrying amounts of $5,031,000 (2010: $Nil).

(iii) The loans are secured by bank deposits of $221,429,000 (2010: $294,813,000).

(iv) It is provided in the loan agreements that if the immediate holding company, GDH Limited, ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the lenders are entitled to request immediate repayment of these 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 24(b). As at 31 December 2011, none of the covenants relating to the bank loans had been breached.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21. Borrowings (Continued)

(a) Bank loans (Continued)

Notes: (Continued)

(v) 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 (i) above. The maximum liability of the Company at the balance sheet date under the guarantee issued amounted to $160,000,000 (2010: $160,000,000). 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 (2010: $Nil).

		The Group	
		2011	2010
		$'000	$'000
(b)	Loans from a related company	**79,560**	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") + 0.9% (2010: 3-month LIBOR+1%) and repayable on either 8 September 2012 or 21 September 2012. The Group also provided loans of $154,440,000 (2010: $154,440,000) to this non-wholly owned subsidiary in proportion to the Group's shareholding therein.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. Equity-settled share-based transactions

On 11 June 2004, the shareholders of the Company passed a resolution to adopt a 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 29 December 2008, the shareholders of the Company passed a resolution to adopt a new share option scheme (the "2008 Share Option Scheme") with terms compatible with modern practice to recruit and retain quality employees to serve the Group on a long-term basis. Eligible participants of the 2008 Share Option Scheme include the Company's directors, senior management personnel or core technical and managerial personnel of the Group.

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. 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 9 March 2006	4,600,000	3 months from the date of grant	10 years
Granted on 30 December 2008	4,250,000	*Note*	5.5 years
Granted on 5 July 2010	8,150,000	*Note*	5.5 years
Options held by employees and other participants:			
Granted on 9 March 2006	450,000	3 months from the date of grant	10 years
Granted on 30 December 2008	3,600,000	*Note*	5.5 years
Granted on 5 July 2010	7,060,000	*Note*	5.5 years
Total share options	28,110,000		

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2011		2010	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**\$1.333**	**24,100**	\$1.106	12,900
Granted during the year	**–**	**–**	\$1.450	15,210
Lapsed during the year	**\$0.812**	**(2,205)**	\$1.014	(3,810)
Exercised during the year	**\$0.750**	**(1,370)**	\$1.660	(200)
Outstanding at the end of the year	**\$1.428**	**20,525**	\$1.333	24,100
Exercisable at the end of the year	**\$1.660**	**4,700**	\$1.460	6,220

The options outstanding at 31 December 2011 had a weighted average exercise price of \$1.428 (2010: \$1.333) and a weighted average remaining contractual life of 3.89 years (2010: 4.69 years).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. 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 5 July 2010	**Options granted on 30 December 2008**
Fair value at measurement date	$0.46	$0.22
Share price at the grant date	$1.45	$0.74
Exercise price	$1.45	$0.75
Expected volatility (expressed as a weighted average volatility used in the modelling under the Model)	44%	47%
Option life (expressed as a weighted average life used in the modelling under the Model)	5.5 years	5.5 years
Expected dividends	3.150%	5.410%
Risk-free interest rate (based on Exchange Fund Notes)	1.665%	1.194%

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. 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 and 1 January 2010	452,862	4,480	2,101	107,440	248,947	815,830
Changes in equity for 2010:						
Total comprehensive income for the year	–	–	–	–	64,750	64,750
Dividends approved in respect of the previous year	–	–	–	–	(27,178)	(27,178)
Dividends declared in respect of the current year	–	–	–	–	(27,178)	(27,178)
Exercise of share options	100	290	(58)	–	–	332
Share options lapsed during the year	–	–	(184)	–	184	–
Share-based payment expenses for the year	–	–	1,493	–	–	1,493
Balance at 31 December 2010 and 1 January 2011	452,962	4,770	3,352	107,440	259,525	828,049
Changes in equity for 2011:						
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**73,188**	**73,188**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**(18,118)**	**(18,118)**
Dividends declared in respect of the current year	**–**	**–**	**–**	**–**	**(22,682)**	**(22,682)**
Exercise of share options	**685**	**649**	**(306)**	**–**	**–**	**1,028**
Share options lapsed during the year	**–**	**–**	**(44)**	**–**	**44**	**–**
Share-based payment expenses for the year	**–**	**–**	**2,100**	**–**	**–**	**2,100**
Balance at 31 December 2011	**453,647**	**5,419**	**5,102**	**107,440**	**291,957**	**863,565**

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital and reserves (Continued)

(b) Share capital

	2011		2010	
	Number of shares '000	$'000	Number of shares '000	$'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	**905,923**	**452,962**	905,723	452,862
Exercise of share options	**1,370**	**685**	200	100
At 31 December	**907,293**	**453,647**	905,923	452,962

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 1,370,000 (2010: 200,000) ordinary shares in the Company at a consideration of $1,028,000 (2010: $332,000) of which $685,000 (2010: $100,000) was credited to share capital and the balance of $343,000 (2010: $232,000) was credited to the share premium account. $306,000 (2010: $58,000) was transferred from capital reserve – share options to the share premium account in accordance with the accounting policy set out in note 1(r)(ii).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital and reserves (Continued)

(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(r)(ii).

(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 reserve

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

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

(e) Distributability of reserves

At 31 December 2011, 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 $211,457,000 (2010: $204,925,000).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital and reserves (Continued)

(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.

The Group monitors its capital structure on the basis of 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. It is the Group's strategy to keep the gearing 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. At 31 December 2011, the gearing ratio of the Group was as follows:

	2011 **$'000**	2010 $'000
Bank loans	**408,056**	495,872
Loans from a related company	**79,560**	79,560
Borrowings	**487,616**	575,432
Less: Cash and cash equivalents	**(431,242)**	(589,822)
Net borrowings/(cash)	**56,374**	(14,390)
Equity attributable to equity shareholders of the Company	**2,041,716**	1,790,996
Gearing ratio	**2.8%**	-0.8%

The Group is required to maintain its equity attributable to equity shareholders at a certain level to comply with covenants as disclosed in note 21(a)(iv). Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24. Financial risk management and fair values

Exposure to credit, liquidity, interest rate, currency risks arises in the normal course of the Group's business. 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. Trade receivables are usually due within 30 days from the date of billing and the maturity dates for bills receivable issued by banks range from 3 to 6 months. For the foodstuffs trading business, the credit period usually ranges from 1 to 2 months. For the distribution of fresh and live foodstuffs business, the credit period is usually less than 1 month. Cash deposits or financial guarantees from other parties are required for certain customers. For the Group's property leasing business, rental is collected 1 month in advance and rental deposits are obtained from the tenants. In general, debtors of the Group with balances that are more than 1 month overdue are requested to settle all outstanding balances before any further credit is granted.

At the balance sheet date, the Group has a certain level of concentrations of credit risk as 12.9% (2010: 15.2%) and 31.2% (2010: 35.6%) of the total trade and bills receivables was due from the Group's largest debtor and the five largest debtors respectively.

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 21(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 18.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(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, the individual operating entities would require approval from the Company regarding short-term investment of cash surpluses and the raising of loans to cover expected cash demands. 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.

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

	2011 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	Carrying amount at 31 December $'000
Bank loans	410,405	–	–	–	410,405	408,056
Loans from a related company	80,271	–	–	–	80,271	79,560
Trade and other payables	359,056	–	–	–	359,056	359,056
Forward foreign exchange contracts (net settled) *(note 24(d))*	3,040	–	–	–	3,040	2,570
	852,772	–	–	–	852,772	849,242

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The Group (Continued)

	2010 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	Carrying amount at 31 December $'000
Bank loans	340,382	161,105	–	–	501,487	495,872
Loans from a related company	80,308	–	–	–	80,308	79,560
Trade and other payables	299,575	–	–	–	299,575	299,575
Forward foreign exchange contracts (net settled) *(note 24(d))*	5,691	–	–	–	5,691	2,434
	725,956	161,105	–	–	887,061	877,441

The Company

	2011 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**	**Carrying amount at 31 December $'000**
Trade and other payables	**10,636**	**–**	**–**	**–**	**10,636**	**10,636**
Financial guarantees issued:						
Maximum amount guaranteed *(note 21(a)(v))*	**160,000**	**–**	**–**	**–**	**160,000**	**–**

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The Company (Continued)

	2010 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	Carrying amount at 31 December $'000
Trade and other payables	13,553	–	–	–	13,553	13,553
Financial guarantees issued:						
Maximum amount guaranteed *(note 21(a)(v))*	160,000	–	–	–	160,000	–

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (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

	2011		2010	
	Effective interest rate per annum	$'000	Effective interest rate per annum	$'000
Fixed rate borrowings:				
Bank loans	3.11%	248,056	1.64%	335,872
Variable rate borrowings:				
Loans from a related company	3-month LIBOR + 0.9%	79,560	3-month LIBOR + 1%	79,560
Bank loans	HIBOR* + 1%	160,000	HIBOR + 1%	160,000
		239,560		239,560
Total borrowings		487,616		575,432
Cash and cash equivalents	1.49%	(431,242)	1.82%	(589,822)
Total net borrowings/(lending)		56,374		(14,390)
Fixed rate borrowings as a percentage of total borrowings		50.9%		58.4%

* *Hong Kong Interbank Offered Rate ("HIBOR")*

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

The Company

	2011		2010	
	Effective interest rate per annum	**$'000**	Effective interest rate per annum	$'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%**	**146,043**	2-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC + 0.5%	140,861
Cash and cash equivalents	**0%**	**6,660**	0%	2,711
Total net lending		**152,703**		143,572

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase of 100 basis points and a general decrease of 10 basis points in interest rates, with all other variables held constant, would have led to a decrease of approximately $782,000 and an increase of approximately $78,000 respectively in the Group's profit after taxation and retained profits.

At 31 December 2010, it is estimated that a general increase of 100 basis points and a general decrease of 10 basis points in interest rates, with all other variables held constant, would have led to a decrease of approximately $272,000 and an increase of approximately $27,000 respectively in the Group's profit after taxation and retained profits.

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 2010.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollar against Renminbi.

In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

At 31 December 2011, the Group also had borrowings in foreign currencies. Forward foreign exchange contracts were entered into by the Group to hedge the exchange rate risk of these foreign currency loans which amounted to US$24,497,000 (equivalent to HK$191,074,000) (2010: US$35,498,000 (equivalent to HK$276,884,000)).

In addition, at 31 December 2011, the Group is exposed to currency risk arising from certain inter-company loans amounting to HK$140,000,000 and US$42,060,000 (equivalent to HK$468,068,000 in aggregate) (2010: HK$154,000,000 and US$19,800,000 (equivalent to HK$308,440,000 in aggregate)) which are not in the functional currency of the subsidiaries in the PRC. At 31 December 2010, there were forward foreign exchange contracts of US$26,850,000 (equivalent to HK$209,430,000) entered into by the Group to hedge against this currency exposure. There were no such forward foreign exchange contracts at 31 December 2011.

Changes in the fair value of forward foreign exchange contracts above are recognised in profit or loss and their net fair value at 31 December 2011 of $2,570,000 (2010: $2,434,000) was recognised as derivative financial instruments and included in trade and other payables (note 20).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(d) 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

	2011	
	United States Dollar '000	Renminbi '000
Trade and other receivables, deposits and prepayments	7,514	40
Cash and cash equivalents	9,515	30
Bank loans	(31,157)	–
Loans from a related company	(10,200)	–
Trade and other payables	(24,379)	(25)
Gross exposure arising from recognised assets and liabilities	(48,707)	45
Notional amounts of forward foreign exchange contracts	25,350	–
Overall net exposure	(23,357)	45

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Group (Continued)

	2010	
	United States Dollar '000	Renminbi '000
Trade and other receivables, deposits and prepayments	13,546	40
Cash and cash equivalents	5,376	10
Bank loans	(43,061)	–
Loans from a related company	(10,200)	–
Trade and other payables	(11,940)	(2,423)
Gross exposure arising from recognised assets and liabilities	(46,279)	(2,373)
Notional amounts of forward foreign exchange contracts	36,230	–
Overall net exposure	(10,049)	(2,373)

The Company

	2011		2010	
	United States Dollar '000	**Renminbi '000**	United States Dollar '000	Renminbi '000
Cash and cash equivalents	**37**	**–**	45	–
Trade and other payables	**–**	**–**	–	(2,414)
Overall net exposure	**37**	**–**	45	(2,414)

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(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, assuming all other risk variables remained constant.

At 31 December 2011, it is estimated that if United States Dollars had weakened by 3% or strengthened by 1% (2010: weakened by 3% or strengthened by 1%) against Renminbi with all other variables held constant, the Group's profit after taxation and retained profits would have been increased by $13,049,000 or decreased by $4,350,000 respectively (2010: increased by $596,000 or decreased by $199,000).

At 31 December 2011, it is estimated that if Renminbi had strengthened by 3% or weakened by 1% (2010: strengthened by 3% or weakened by 1%) against Hong Kong Dollars with all other variables held constant, the Group's profit after taxation and retained profits would have been increased by $4,714,000 or decreased by $1,590,000 respectively (2010: increased by $3,037,000 or decreased by $1,025,000).

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. That is, for entities with Hong Kong Dollars as functional currency, the United States Dollars denominated assets and liabilities are assumed to have no currency risk exposure.

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 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, but excludes the borrowings in foreign currencies that are hedged by the forward foreign exchange contracts. 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 2010.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(e) 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

	2011							
	The Group				**The Company**			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Liabilities								
Derivative financial instruments:								
Forward foreign exchange contracts	**–**	**(2,570)**	**–**	**(2,570)**	**–**	**–**	**–**	**–**

	2010							
	The Group				The Company			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities								
Derivative financial instruments:								
Forward foreign exchange contracts	–	(2,434)	–	(2,434)	–	–	–	–

During the years ended 31 December 2011 and 2010, there were no transfers between instruments in Level 1 and Level 2.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(e) Fair values (Continued)

(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 2011 and 2010, 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.

(f) 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.

25. Commitments

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	$'000	$'000
Contracted for	**8,922**	10,377
Authorised but not contracted for	**6,325**	21,648
	15,247	32,025

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2011	2010
	$'000	$'000
Within 1 year	**2,431**	2,016
After 1 year but within 5 years	**933**	80
	3,364	2,096

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

25. Commitments (Continued)

(c) At 31 December 2011, the Company had committed to provide finance of $6,489,000 (2010: $6,489,000) to an associate of the Group.

(d) At 31 December 2010, the Group had committed to acquire 19.53% equity interest in a PRC entity at a consideration of RMB40 million (equivalent to approximately $47 million). The acquisition was completed during the year as disclosed in note 14(b).

26. 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 to be material:

	Note	**2011 $'000**	2010 $'000
Sales of goods to related companies	*(i)*	**856,080**	803,407
Commission paid/payable to a related company	*(i), (ii)*	**12,370**	10,922
Commission received/receivable from associates	*(iii)*	**12,807**	–
Technical guidance services fee paid/payable to a related company	*(i)*	**–**	445
Purchases of goods from			
– an associate		**–**	1,384
– related companies	*(i)*	**1,290,481**	1,209,214

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.

26. Material related party transactions (Continued)

(a) Transactions with related parties (Continued)

Notes: (Continued)

(iii) This represents commission earned for services rendered to associates in respect of distribution of fresh and live foodstuffs.

(iv) Balances with related parties at 31 December are included in amounts due from/to the respective parties in the consolidated balance sheets. Except for the trade balances with related parties as disclosed in notes 18 and 20 which are settled in accordance with normal trade terms, and the loans from a related company as disclosed in note 21(b), 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 state-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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26. Material related party transactions (Continued)

(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:

	The Group	
	2011	2010
	$'000	$'000
Short-term employee benefits	**5,412**	4,989
Post-employment benefits	**877**	751
Equity compensation benefits	**1,236**	831
	7,525	6,571

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

27. Retirement benefits scheme

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 consolidated income statement for the year ended 31 December 2011 was $8,673,000 (2010: $7,172,000). Forfeited contributions refunded for the year amounted to $Nil (2010: $8,000).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28. Immediate and ultimate holding company

The directors consider the immediate and ultimate holding company at 31 December 2011 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 produce financial statements available for public use.

29. Subsequent events

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

30. Litigation

In October 2009, a PRC third party filed a claim against a subsidiary of the Group to recover an outstanding trade debt of approximately RMB2,060,000 (equivalent to $2,477,000) and a penalty of approximately RMB5,376,000 (equivalent to $6,465,000) for non-payment. During the year ended 31 December 2011, this PRC third party withdrew the claim. Accordingly, the Group has no financial exposure in respect of this claim at 31 December 2011.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32. List of principal subsidiaries

Particulars of the principal subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2011 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 Non-voting deferred	$10 $230,000,000	–	100%	Investment holding and trading of raw materials for production of tinplate products
Zhongshan Zhongyue Tinplate Industrial Co., Ltd.#	The PRC	N/A	US$74,252,800	–	100%	Production and sales of tinplate products and property leasing
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*

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33. Details of a 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	Proportion of nominal value of issued capital/registered capital held by 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.*

34. Details of associates

Particulars of the associates at 31 December 2011 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	Proportion of nominal value of issued capital/registered capital held by a subsidiary	Principal activities
Yellow Dragon Food Industry Co., Ltd.*	The PRC	N/A	40%	–	Processing and sales of corn food and feed products
Hubei Jinxu Agriculture Development Co., Ltd. (formerly known as Hubei Liangyou Livestock and Poultry Co., Ltd.)*	The PRC	N/A	–	19.53%	Pig farming and sales of pigs and related activities
Guangdong Zijin Baojin Livestock Co., Ltd.*	The PRC	N/A	–	34%	Pig farming and sales of pigs

* *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 had 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 were as follows:

   A. Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), a 66% owned subsidiary of the Group, purchased blackplates from POSCO Co., Ltd. ("POSCO") and its subsidiaries (collectively "POSCO Group") in their ordinary course of business and on normal commercial terms for approximately HK$1,290,481,000 ("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$2,476,000 ("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$853,604,000 ("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 were:

   (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 2011 did not exceed the annual cap amount of HK$1,805,895,000 for the Purchase of Blackplate Transaction as disclosed in the announcement dated 13 December 2010;

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

(ii) the aggregate amount for the year ended 31 December 2011 did not exceed the annual cap amount of HK$39,312,000 for the Sales of Tinplate Transaction by Zhongyue Tinplate as disclosed in the announcement dated 13 December 2010; and

(iii) the aggregate amount for the year ended 31 December 2011 did not exceed the annual cap amount of HK$1,052,626,000 for the Sales of Tinplate Transactions by Zhongyue Posco as disclosed in the announcement dated 13 December 2010.

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

2. On 14 June 2010, a wholly-owned subsidiary of the Company entered into a facility agreement (the "2010 Facility Agreement") for a term loan facility in the principal amount of up to HK$160,000,000 with a bank (the "Lender"). It is provided in the 2010 Facility Agreement that if GDH ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the Lender is 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, were outstanding in an aggregate amount of RMB8,000,000. These loans are unsecured and interest-bearing at a range from 11.5% per annum to 12% per annum. Moreover, GSDL had a sum due from Tianmei, amounting to HK$59,600,000 at the balance sheet date, which is unsecured and interest-free. In July 2001, application was 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				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Turnover	**3,404,115**	2,870,206	2,352,103	2,979,868	1,593,460
Profit from operations	**215,037**	243,272	221,451	167,287	109,884
Non-operating income	**–**	–	–	–	40,021
Net valuation gains/(losses) on investment properties	**28,747**	6,634	16,118	(19,429)	16,075
Finance costs	**(11,675)**	(8,654)	(6,784)	(24,905)	(11,927)
Share of profits less losses of associates	**33,018**	27,144	12,899	16,528	20,390
Profit before taxation	**265,127**	268,396	243,684	139,481	174,443
Income tax	**(33,400)**	(49,760)	(40,259)	(18,999)	7,435
Profit for the year	**231,727**	218,636	203,425	120,482	181,878
Attributable to:					
Equity shareholders of the Company	**213,155**	202,920	180,724	100,646	183,809
Non-controlling interests	**18,572**	15,716	22,701	19,836	(1,931)
Profit for the year	**231,727**	218,636	203,425	120,482	181,878
Earnings per share					
Basic	**23.5 cents**	22.4 cents	20.0 cents	11.1 cents	20.3 cents
Diluted	**23.5 cents**	22.4 cents	19.9 cents	11.1 cents	20.3 cents
Dividend per share					
Interim	**2.5 cents**	3.0 cents	1.5 cents	2.0 cents	2.0 cents
Proposed final	**2.5 cents**	2.0 cents	3.0 cents	1.5 cents	2.0 cents

Financial Summary (Continued)

(Expressed in Hong Kong dollars)

Assets and liabilities

	As at 31 December				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Fixed assets	**1,249,832**	1,230,839	1,257,688	1,289,614	1,229,884
Interest in associates	**299,259**	214,724	196,772	201,973	199,010
Other non-current assets	**3,914**	3,749	–	9,426	–
Net current assets	**699,325**	694,610	456,595	479,403	62,478
Total assets less current liabilities	**2,252,330**	2,143,922	1,911,055	1,980,416	1,491,372
Non-current liabilities	**(39,626)**	(204,600)	(186,546)	(430,222)	(102,125)
Net assets	**2,212,704**	1,939,322	1,724,509	1,550,194	1,389,247
Share capital	**453,647**	452,962	452,862	452,802	452,802
Reserves	**1,588,069**	1,338,034	1,139,913	984,611	848,702
Total equity attributable to equity shareholders of the Company	**2,041,716**	1,790,996	1,592,775	1,437,413	1,301,504
Non-controlling interests	**170,988**	148,326	131,734	112,781	87,743
Total equity	**2,212,704**	1,939,322	1,724,509	1,550,194	1,389,247