



GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

Stock Code 股份代號:1203

2012
ANNUAL REPORT
年報



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Corporate Information

(As at 22 March 2013)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

LIANG Jiang
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

TAN Yunbiao (*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 Shanhaiguankaifaqu Sub-branch
Industrial and Commercial Bank of China Limited, Qinhuangdao Branch Dongqu Sub-branch
Bank of China Limited, Qinhuangdao Branch Shanhaiguan Sub-branch
China Construction Bank Corporation Qinhuangdao Economic & Technological Development Zone Dongqu Sub-Branch

REGISTERED OFFICE

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SHARE REGISTRAR

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

SHARE INFORMATION

<i>Place of Listing</i>	Main Board of The Stock Exchange of Hong Kong Limited
<i>Stock Code</i>	1203
<i>Board Lot</i>	2,000 shares
<i>Financial Year End</i>	31 December

SHAREHOLDERS' CALENDAR

<i>Closure of Register of Members (for attending Annual General Meeting)</i>	30 May 2013 to 3 June 2013
<i>Closure of Register of Members (for payment of final dividend)</i>	7 June 2013 to 11 June 2013
<i>Annual General Meeting</i>	3 June 2013
<i>Final Dividend</i>	HK 1.5 cents per share
<i>Payment Date</i>	24 June 2013

Financial Highlights

(Expressed in Hong Kong dollars)

	For the year ended 31 December		
	2012 \$'000	2011 \$'000	Change
Turnover	3,346,291	3,404,115	-1.7%
Profit from operations	154,215	215,037	-28.3%
Profit attributable to shareholders	114,921	213,155	-46.1%
Basic earnings per share	12.7 cents	23.5 cents	-46.0%
Dividend per share			
Interim	1.5 cents	2.5 cents	
Proposed final	1.5 cents	2.5 cents	
	3.0 cents	5.0 cents	-40.0%

	At 31 December		
	2012 \$'000	2011 \$'000	Change
Total assets	3,024,815	3,122,971	-3.1%
Shareholders' equity	2,119,268	2,041,716	+3.8%
Net asset value per share ¹	\$2.34	\$2.25	+4.0%
Net (cash)/borrowings ²	(182,165)	56,374	
Gearing ratio ³	-8.6%	2.8%	

Notes:

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

3.
$$\frac{\text{Net (cash)/borrowings}}{\text{Shareholders' equity}}$$

2. Borrowings – cash and cash equivalents

Chairman's Statement

I hereby report to the shareholders that Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK\$114,921,000 in 2012, representing a decrease of 46.1% compared with HK\$213,155,000 in 2011. The basic earnings per share was HK 12.7 cents, representing a decrease of 46.0% from HK 23.5 cents in 2011.

Dividend

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK 1.5 cents per share for the year 2012. The final dividend for 2012, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 24 June 2013.

Business Review

In 2012, some major business segments of the Group recorded an increase in profit whilst some others recorded a fall in profit. The Group's consolidated turnover was HK\$3,346,291,000, representing a decrease of 1.7% from HK\$3,404,115,000 in 2011. Profit from operations was HK\$154,215,000, representing a decrease of 28.3% from HK\$215,037,000 in 2011, mainly due to the decrease in profit from operations of 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 favourable opportunities of the increasingly sufficient supply of major raw materials to increase our production volume. Both the total production and sales volume of tinplate products increased as compared to that in 2011. However, as the selling price of tinplate products decreased, turnover decreased by 3.7% as compared to that in 2011. 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, together with the significant decrease in exchange gains due to the slower appreciation of Renminbi against the Hong Kong Dollar and the United States Dollar, all contributed to the significant decrease in profit from operations of the Group's tinplating business as compared to that in 2011.

In respect of the fresh and live foodstuffs business, there was a decrease in price of live pigs as compared to that in 2011 but the number of live pigs distributed increased slightly. Together with the significant growth in the fresh meat retail business, both turnover and operating profit from the fresh and live foodstuffs business recorded an increase over 2011. Given the devoted efforts of our operation team and premium quality sources of goods from major suppliers and our associates, 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 respect of the property leasing business, along with the increase in office prices in Hong Kong and the valuation of properties in Zhongshan in 2012, net valuation gains on investment properties of HK\$16,845,000 (2011:HK\$28,747,000) were recorded by the Group.

For the associates, as a result of the substantial increase in the raw materials purchase cost of Yellow Dragon Food Industry Co., Ltd., a share of losses of associates was recorded by the Group as compared with a share of profits of associates in 2011.

Chairman's Statement (Continued)

Prospects

Recently, the European and US economies have been showing signs of slow recovery, and the economic growth rate in the Mainland is increasing steadily. It is anticipated that the pace of order placing from domestic and overseas 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 transform and upgrade our business and start a new round of development. As a first step, the Group is proposing to construct a new tinplating production line in Zhongshan, with annual production capacity of 150,000 tonnes, in order to improve the standard of production equipment and product quality, and to strengthen our core competitiveness. Currently, the Group is preparing to apply to the relevant authorities of the local government for the construction of the project. As to the fresh and live foodstuffs business, on the ground of further improving our quality services, we will consolidate and develop our business chain operation, continue to explore new stable supply channels for live pigs, and ensure market supply. By leveraging on our sound financial position and abundant capital resources, we will continue to explore and capture various opportunities for development and strategic cooperation so as to promote the business of the Group to a new level.

Tan Yunbiao

Chairman

Hong Kong, 22 March 2013

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 Zhongyue Tinplate’s capacity, whereas 250,000 tonnes of tinplate products are from Zhongyue Posco’s capacity.

In 2012, the Group produced 359,136 tonnes of tinplate products, representing an increase of 4.7% as compared to that in 2011. Among which, Zhongyue Tinplate and Zhongyue Posco produced 207,114 tonnes and 152,022 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 144,573 tonnes of blackplates, an increase of 2.2% as compared to that in 2011, 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 358,248 tonnes of tinplate products, an increase of 6.5% as compared to that in 2011, of which, Zhongyue Tinplate and Zhongyue Posco sold 207,370 tonnes and 150,878 tonnes of tinplate products respectively, an increase of 5.7% and 7.6% respectively as compared to that in 2011. Turnover was HK\$2,991,518,000, a decrease of 3.7% as compared to that in 2011 and profit from operations was HK\$65,959,000, a decrease of HK\$46,270,000 or 41.2% as compared to that in 2011. The tinplating business accounted for 89.4% and 42.8% of the Group’s turnover and profit from operations respectively.

At present, the excess supply over demand in the iron and steel industry and intense competition put pressure on the selling price of tinplate products. In the first half of 2012, the rate of decrease in the market price of tinplating products was greater than the rate of decrease in the market price of hot-rolled plates, which is one of the major raw materials for the production of blackplates. Not until the fourth quarter did the market price of tinplate products rebound, though the extent of increase was smaller than the price of hot-rolled plates. Moreover, there has been a surge in certain raw materials and operating costs. This, together with the significant decrease in exchange gains due to the slower appreciation of Renminbi against the Hong Kong Dollar and the United States Dollar, contributed to the significant decrease in profit from operations of the Group’s tinplating business as compared to that in 2011. Through modifying and integrating the sales and marketing capacities of the tinplating plants in northern and southern China, the Group offered a more appropriate and diversified range of products to its customers. Active efforts were spent in expanding sources of procuring blackplates, which provided a basis for the Group to leverage from the effect of economies of scale. This in turn mitigated the pressure on the Group regarding the surge in various types of costs. On the other hand, the Group utilised its bills receivable through the pursuit of more flexible payment methods with its suppliers. The Group successfully increased liquidity which has resulted in increased working capital and bank deposits. Interest income increased accordingly. By capitalising on the advantageous position in capital management and effective control of credit management, sales were stabilised as a result. The Group continued the implementation of full budgetary control, strengthened internal control and deployed Six Sigma methodology for implementing a substantial number of projects for technological improvements in order to promote energy-saving, waste-reduction and efficiency-optimisation. Furthermore, the Group has committed more resources to R&D initiatives, incubating strengths for the future development of our tinplating business.

Management Discussion & Analysis (Continued)

BUSINESS REVIEW (Continued)

Tinplating (Continued)

As the utilisation rate of the production capacity of the tinplating factory in Zhongshan has already reached 94%, in order to accelerate the transform and upgrade of our business, the Group re-occupied certain plant in our factory area in Zhongshan which was previously let out, so as to re-organise space for logistics, and proposes to construct a new tinplating production line with an annual production capacity of 150,000 tonnes. The investment cost is estimated to be approximately RMB200 million (equivalent to approximately HK\$247 million), and expected to be financed by the Group's internal resources. The new tinplating production line will enable Zhongyue Tinplate to improve the standard of production equipment and product quality, and refine the product mix. It will also facilitate the development of new products, and strengthen our core competitiveness. Currently, the Group is preparing to apply to the relevant authorities of the local government for the construction of the project. If all the relevant approvals are obtained, the construction will start in the second half of 2013, and the production line is expected to commence operation in 2014. By that time, the annual production capacity of tinplate products and blackplates of the Group's factories in northern and southern China will become 620,000 tonnes and 150,000 tonnes respectively.

Fresh and Live Foodstuffs

Guangnan Hong Company Limited ("Guangnan Hong") is a wholly-owned subsidiary of the Company. Guangnan Hong holds a 51% interest in Guangnan Live Pigs Trading Limited, an 18.66% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu"), and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. ("Guangdong Baojin").

In 2012, the turnover of the fresh and live foodstuffs business amounted to HK\$327,384,000, representing an increase of 21.6% as compared to that in 2011. Together with the share of profits of associates, Hubei Jinxu and Guangdong Baojin, profit from operations was HK\$93,968,000, representing an increase of HK\$3,279,000 or 3.6% as compared to that in 2011. There was a decrease in price of live pigs but the number of live pigs distributed increased slightly. Together with the substantial growth in the fresh meat retail business, both turnover and operating profit from the fresh and live foodstuffs business recorded an increase over 2011. 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. For the two associates acquired in 2011, expansion in the scope of pig farming is being gradually implemented as planned, in order to consolidate premium quality sources of live pigs and build a solid business chain for the fresh and live foodstuffs business.

Management Discussion & Analysis (Continued)

BUSINESS REVIEW (Continued)

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 2012, turnover from the property leasing business of the Group was HK\$27,389,000, a decrease of 0.7% as compared to that in 2011. Profit from operations of leasing properties amounted to HK\$16,745,000, a decrease of 0.9% as compared to that in 2011. Along with the increase in the price of office units in Hong Kong and the valuation of properties in Zhongshan in 2012, net valuation gains on investment properties of HK\$16,845,000 (2011:HK\$28,747,000) were recorded by the Group.

Yellow Dragon

In 2012, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon"), an associate of the Group, recorded a sales volume of 422,585 tonnes in its major product, corn starch, representing a decrease of 0.1% as compared with that in 2011. Turnover was HK\$2,279,494,000, an increase of 5.1% as compared to that in 2011. Since 2012, corn prices of major corn producing areas increased as a result of the continuous increase in the prices of cereals throughout the world. Being affected by production capacities and demand, the rate of increase in the selling price of Yellow Dragon's major product, corn starch, was lower than the purchase price of the raw material, corn. The increase in cost of sales arising from the increase in the price of corn was not effectively transferred to the downstream customers, which resulted in a loss attributable to the shareholders of HK\$40,678,000, as compared to a profit of HK\$62,820,000 in 2011. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK\$16,271,000 (2011: share of profit of HK\$25,128,000).

FINANCIAL POSITION

As at 31 December 2012, the Group's total assets and total liabilities amounted to HK\$3,024,815,000 and HK\$727,508,000, representing a decrease of HK\$98,156,000 and HK\$182,759,000 respectively when compared with the positions at the end of 2011. Net current assets increased from HK\$699,325,000 at the end of 2011 to HK\$1,014,167,000. The current ratio (current assets divided by current liabilities) increased from 1.8 at the end of 2011 to 2.9.

Liquidity and Financial Resources

As at 31 December 2012, the Group maintained cash and cash equivalents of HK\$471,217,000, of which an amount of HK\$323,756,000 was denominated in Renminbi and HK\$51,769,000 was denominated in United States ("US") Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalents increased by 9.3% from the end of 2011.

Management Discussion & Analysis (Continued)

FINANCIAL POSITION (Continued)

Liquidity and Financial Resources (Continued)

As at 31 December 2012, the Group's borrowings comprised 1) unsecured bank borrowings of HK\$209,492,000 (2011: bank borrowings of HK\$408,056,000, of which i) HK\$211,951,000 was unsecured, ii) HK\$5,031,000 was secured by bills receivable of HK\$5,031,000 and iii) HK\$191,074,000 was secured by bank deposits of HK\$221,429,000); and 2) loans from a related company of HK\$79,560,000 (2011: HK\$79,560,000). 55.4% (2011: 32.8%) of the Group's borrowings was guaranteed by the Company. As at 31 December 2012, 44.6% of the Group's borrowings was repayable within 1 year, and the remaining balance was repayable within 2 years, while as at 31 December 2011, all of the Group's borrowings was repayable within 1 year. All borrowings were subject to annual interest rates ranging from 0.91% to 2.28% (2011: 1.34% to 3.88%). 82.9% (2011: 49.1%) of the Group's borrowings bears interest at floating rates. The management pays attention to variations in interest rates.

As at 31 December 2012, 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 -8.6% (2011: 2.8%).

As at 31 December 2012, the Group's available banking facilities which are used for working capital and trade finance purposes, amounted to HK\$316,000,000, of which HK\$186,476,000 was utilised and HK\$129,524,000 was unutilised. 50.6% of the Group's banking facilities was guaranteed by the Company. Currently, the cash reserves and available banking facilities, as well as the steady cash flow from operations, are sufficient to meet the Group's debt obligations and business operations.

Capital Commitments and Capital Expenditure

The Group's capital expenditure in 2012 amounted to HK\$22,506,000 (2011: HK\$22,633,000). Capital commitments outstanding at 31 December 2012 not provided for in the financial statements amounted to HK\$252,143,000 (2011: HK\$15,247,000), of which approximately RMB200 million (equivalent to approximately HK\$247 million) is for the construction of a new tinplating production line of Zhongyue Tinplate. It is expected that the capital expenditure for 2013 will be approximately HK\$140 million.

Acquisitions and Disposals of Investments

During the year of 2012, the Group has no material acquisitions and disposals of investments.

Charges on Assets

As at 31 December 2012, none of the assets of the Group was pledged, whereas as at 31 December 2011, certain assets of the Group with an aggregate carrying value of HK\$226,460,000 were pledged to secure loans and banking facilities of the Group.

Management Discussion & Analysis (Continued)

FINANCIAL POSITION (Continued)

Contingent liabilities

As at 31 December 2012, the Group has no material contingent liabilities.

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 2012, the Group did not enter into any forward foreign exchange contracts. As at 31 December 2011, forward foreign exchange contracts of US\$25,350,000 (equivalent to HK\$197,730,000) were entered into by the Group to hedge against foreign currency loans.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had a total of 1,282 full-time employees, an increase of 60 from the end of 2011. 181 employees were based in Hong Kong and 1,101 were based 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 2012, 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 was accrued according to various profit rankings and with reference to net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted share option schemes to encourage excellent participants to continue their contribution to the Group.

Directors' Profile

Executive Directors

Mr. TAN Yunbiao, aged 48, was appointed an Executive Director in February 2004 and the Chairman of the Company in July 2012. He is also the chairman of Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and a director of Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"). He was the General Manager of the Company from February 2004 to July 2012. 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.

Mr. LI Li, aged 57, 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. From 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. LUO Jianhua, aged 58, was appointed an Executive Director and the General Manager in July 2012. He is also the chairman of Zhongyue Posco and a director and the general manager of Zhongyue Tinplate. He acted as a deputy general manager of the Company from December 2003 to July 2012. Mr. Luo graduated from the department of Chinese literature of Zhongshan University, the PRC. Since Mr. Luo joined the Company in 2001, he has been acting as the general manager of the administrative and personnel department. In 2002, he acted as the assistant general manager of the Company. Prior to joining the Company, he held various positions as secretary and deputy director of the administrative office in the engineering administrative bureau of Dongjiang of Guangdong Province to Shenzhen water supply, as well as the director of the administrative office of Guangdong Yue Gang Water Supply Co., Ltd. He was appointed the deputy general manager of Shan Hai and Zhongyue Tinplate in March 2004 and the director and general manager of Zhongyue Tinplate in July 2011. He was appointed the general manager of Zhongyue Posco in January 2007 and the chairman of Zhongyue Posco in July 2011. At the end of 2009, Shan Hai was absorbed by Zhongyue Tinplate.

Directors' Profile (Continued)

Executive Directors (Continued)

Mr. SUNG Hem Kuen, aged 39, 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. LIANG Jiang, aged 60, was re-designated as a Non-Executive Director of the Company in July 2012. He acted as an Executive Director and the Chairman from January 2002 to July 2012. 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 and 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. 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 was appointed the executive director of Kingway Brewery Holdings Limited ("Kingway Brewery"), a fellow subsidiary of the Company, in March 2012.

Ms. LIANG Jianqin, aged 48, 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, the PRC 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. From December 2012, she resigned as a non-executive director of Kingway Brewery.

Directors' Profile (Continued)

Independent Non-Executive Directors

Mr. Gerard Joseph McMAHON, aged 69, 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 (the "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 67, was appointed an Independent Non-Executive Director of the Company in June 1999. She is also non-executive director of six 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 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 (the "ICAC") and a member of the Witness Protection Review Board of the ICAC. Ms. Tam retired from an independent non-executive director by rotation at the annual general meeting of Titan Petrochemicals Group Limited in June 2012.

Mr. LI Kar Keung, Caspar, aged 59, 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. Tan Yunbiao, Li Li, Luo Jianhua 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 2012.

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 2012 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 42 to 135.

An interim dividend of HK 1.5 cents (2011: HK 2.5 cents) per share was paid on 26 October 2012. The Directors recommended the payment of a final dividend of HK 1.5 cents (2011: HK 2.5 cents) per share for the year ended 31 December 2012.

The proposed final dividend, if approved at the 2013 Annual General Meeting of the Company (the “AGM”), is expected to be paid on Monday, 24 June 2013 to shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2013.

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

- (i) from Thursday, 30 May 2013 to Monday, 3 June 2013 (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 Wednesday, 29 May 2013.
- (ii) from Friday, 7 June 2013 to Tuesday, 11 June 2013 (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 Thursday, 6 June 2013.

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 2012 are set out in notes 31 and 33 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 (2011: 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\$114,921,000 (2011: HK\$213,155,000) 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 2012 represented 23.4% of the Group's total sales, and the combined total of sales to the five largest customers accounted for 42.2% of the Group's total sales for the year.

Purchases from the largest supplier for the year ended 31 December 2012 represented 37.5% 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 75.8% of the Group's total purchases for the year.

Report of the Directors (Continued)

Major Customers and Suppliers (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) Tinsplate 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 136 and 137.

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\$85,000 (2011: HK\$60,000).

Investment Properties

Particulars of the major investment properties of the Group are set out on page 138.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past 5 years ended 31 December 2012 is set out on pages 139 and 140.

Directors

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

Executive Directors

TAN Yunbiao

LI Li

LUO Jianhua (appointed on 24 July 2012)

SUNG Hem Kuen

Non-Executive Directors

HUANG Xiaofeng (resigned on 24 July 2012)

LIANG Jiang (re-designated on 24 July 2012)

LUO Fanyu (resigned on 28 December 2012)

LIANG Jianqin

Report of the Directors (Continued)

Directors (Continued)

Independent Non-Executive Directors

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

Retirement and Re-election of Directors

In accordance with Articles 92 and 101 of the Company's Articles of Association, Messrs. Li Li, Luo Jianhua, Sung Hem Kuen and Ms. Tam Wai Chu, Maria will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

Directors' Interests and Short Positions in Securities

As at 31 December 2012, 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)
Tan Yunbiao	Personal	240,000	Long position	0.026%
Li Li	Personal	1,417,000	Long position	0.156%
Luo Jianhua	Personal	200,000	Long position	0.022%
Sung Hem Kuen	Personal	180,000	Long position	0.020%
Liang Jiang	Personal	1,210,000	Long position	0.133%
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 2012.

Report of the Directors (Continued)

Directors' Interests and Short Positions in Securities (Continued)

Interests and short positions in the Company (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 ¹ (DD.MM.YYYY)	Number of share options				At 31 December 2012	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive) ^{##} (DD.MM.YYYY)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At 1 January 2012	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year						
Tan Yunbiao	09.03.2006	2,000,000	-	-	-	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Liang Jiang	09.03.2006	2,000,000	-	-	-	2,000,000	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)

Directors' Interests and Short Positions in Securities (Continued)

Interests and short positions in the Company (Continued)

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

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

Name of Director	Date of grant of share options (DD.MM.YYYY)	Number of share options						Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2012	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	At 31 December 2012				
Tan Yunbiao	30.12.2008	1,200,000	360,000	-	-	120,000	240,000	-	0.75	0.74	-
	05.07.2010	2,100,000	2,100,000	-	-	840,000	1,260,000	-	1.45	1.44	-
Li Li	05.07.2010	1,090,000	1,090,000	-	-	436,000	654,000	-	1.45	1.44	-
	30.12.2008	1,000,000	300,000	-	-	100,000	200,000	-	0.75	0.74	-
Luo Jianhua	05.07.2010	1,860,000	1,860,000	-	-	744,000	1,116,000	-	1.45	1.44	-
	30.12.2008	900,000	270,000	-	-	90,000	180,000	-	0.75	0.74	-
Sung Hem Kuen	05.07.2010	1,860,000	1,860,000	-	-	744,000	1,116,000	-	1.45	1.44	-
	30.12.2008	2,150,000	645,000	-	-	215,000	430,000	-	0.75	0.74	-
Liang Jiang	05.07.2010	3,100,000	3,100,000	-	-	1,240,000	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)

Directors' Interests and Short Positions in Securities (Continued)

Interests and short positions in the Company (Continued)

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

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

Notes to the above share options granted pursuant to the 2008 Share Option Scheme: (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:

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

(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.

Report of the Directors (Continued)

Directors' Interests and Short Positions in Securities (Continued)

Interests and short positions in Guangdong Investment 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)
Liang Jianqin	Personal	100,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 6,234,205,071 ordinary shares of Guangdong Investment Limited in issue as at 31 December 2012.

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)
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 2012.

Save as disclosed above, as at 31 December 2012, 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.

Report of the Directors (Continued)

Share Option Schemes of the Company (Continued)

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.

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.

Report of the Directors (Continued)

Share Option Schemes of the Company (Continued)

2004 Share Option Scheme (Continued)

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

As at 31 December 2012, options were outstanding under the 2004 Share Option Scheme entitling the holders to subscribe for 4,700,000 ordinary shares of the Company, which represented 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)

Share Option Schemes of the Company (Continued)

2008 Share Option Scheme (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 2012, 6,193,000 share options lapsed, and no share options were granted, exercised nor cancelled under the 2008 Share Option Scheme.

At 31 December 2012, the Company had an outstanding of 1,370,000 share options granted on 30 December 2008 and an outstanding of 8,262,000 share options granted on 5 July 2010 under 2008 Share Option Scheme, which represented approximately 0.151% and 0.911% 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 9,632,000 additional ordinary shares and the increases of share capital of HK\$4,816,000 and share premium of HK\$8,191,400 (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.

Report of the Directors (Continued)

Share Option Schemes of the Company (Continued)

As at 31 December 2012, save as disclosed under “Interests (long positions) in options relating to ordinary shares” on pages 18 to 20, 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.

(i) 2004 Share Option Scheme

Category	Date of grant of share options [†] (DD.MM.YYYY)	Number of share options				At 31 December 2012	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive) ^{##} (DD.MM.YYYY)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant ^{**} HK\$ (per share)	Price of ordinary share at date immediately before the exercise date ^{**} HK\$ (per share)
		At 1 January 2012	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year						
Employees	09.03.2006	300,000	-	-	-	300,000	1 09.06.2006 to 08.03.2016	1.66	1.61	-	
Other participants	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)

Share Option Schemes of the Company (Continued)

(ii) 2008 Share Option Scheme

Category	Date of grant of share options [†] (DD.MM.YYYY)	Number of share options						Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2012	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	At 31 December 2012				
Employees	30.12.2008	1,600,000	480,000	-	-	160,000	320,000	-	0.75	0.74	-
	05.07.2010	3,760,000	3,760,000	-	-	1,504,000	2,256,000	-	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 Securities” section of this report on pages 19 and 20.

(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 Securities” section of this report on page 20.

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 2012, Mr. Liang Jiang, Director, is also deputy general manager of Guangdong Holdings Limited (“Guangdong Holdings”) and director of GDH Limited (“GDH”). Ms. Liang Jianqin, Director, is also a general manager of the finance department of Guangdong Holdings and 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.

Report of the Directors (Continued)

Directors' Service Contracts

No directors proposed for re-election at the 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 136 and 137.

Substantial Shareholders

As at 31 December 2012, 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 2012, 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.

Report of the Directors (Continued)

Significant Contracts 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 136 and 137, the Company or its subsidiary had the following contract 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 has no fixed term of repayment. As at 31 December 2012, the loan has an outstanding balance of approximately HK\$23,250,000.

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 2012 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 AGM. There was no change in auditors of the Company in any of the preceding three years.

By order of the Board

Tan Yunbiao

Chairman

Hong Kong, 22 March 2013

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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively 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 and, where appropriate, the applicable recommended best practice set out in the CG Code throughout the year ended 31 December 2012. Save for new Code provision A.6.7 of the CG Code as a Non-Executive Director was unable to attend the annual general meeting of the Company held on 24 May 2012 as he had other engagements.

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 2012.

Board of Directors

As at 31 December 2012, the board of Directors (the "Board") comprised four Executive Directors, being Messrs. Tan Yunbiao, Li Li, Luo Jianhua and Sung Hem Kuen, two Non-Executive Directors, being Mr. Liang Jiang 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.

On 24 July 2012, Mr. Liang Jiang ceased to act as the Chairman of the Board and was re-designated to a Non-Executive Director; Mr. Tan Yunbiao was appointed as the Chairman of the Board and ceased to act as the General Manager; Mr. Luo Jianhua was appointed as an Executive Director and the General Manager; Mr. Huang Xiaofeng resigned as a Non-Executive Director. Mr. Luo Fanyu resigned as a Non-Executive Director on 28 December 2012.

Corporate Governance Report (Continued)

Board of Directors (Continued)

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 2012, the Board held six meetings.

Details of Directors' attendance at the Company's annual general meeting and the meetings of the Board, the Compensation Committee, the Nomination Committee and the Audit Committee held during the year ended 31 December 2012 are set out below:

	Annual General Meeting	Compensation Board Committee	Nomination Committee	Audit Committee	
Executive Directors					
Tan Yunbiao	1/1	6/6			
Li Li	1/1	6/6			
Luo Jianhua (appointed on 24 July 2012)		3/3			
Sung Hem Kuen	1/1	6/6			
Non-Executive Directors					
Huang Xiaofeng (resigned on 24 July 2012)	0/1	2/3			
Liang Jiang (re-designated on 24 July 2012)	1/1	6/6	2/2		
Luo Fanyu (resigned on 28 December 2012)	1/1	6/6			
Liang Jianqin	1/1	6/6			
Independent Non-Executive Directors					
Gerard Joseph McMahon	1/1	6/6	3/3	2/2	6/6
Tam Wai Chu, Maria	1/1	6/6	3/3	2/2	6/6
Li Kar Keung, Caspar	1/1	6/6	3/3	2/2	6/6

Corporate Governance Report (Continued)

Board of Directors (Continued)

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules and considers all of the Independent Non-Executive Directors as independent. In addition, 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 11 to 13 to the annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.

Chairman, Deputy Chairman and General Manager

From 1 January 2012 to 23 July 2012, the Chairman is Mr. Liang Jiang, the Deputy Chairman is Mr. Li Li and the General Manager is Mr. Tan Yunbiao. From 24 July 2012, the Chairman is Mr. Tan Yunbiao, the Deputy Chairman is Mr. Li Li and the General Manager is Mr. Luo Jianhua. Their roles are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Liang Jiang and Mr. Tan Yunbiao 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 and Mr. Luo Jianhua 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.

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 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 annual general meeting 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.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial and commercial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skill. The Company organized a training course on directors' duties and general securities laws and regulations in August 2012 and provides training materials to the Directors to develop and refresh their professional skill.

According to the records kept by the Company, the current Directors received trainings with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 December 2012.

From time to time, the Board will arrange visits to places of operations of the Group for a deeper understanding of the Group's business operations. Two Independent Non-Executive Directors, Mr. Gerard Joseph McMahon and Ms. Tam Wai Chu, Maria, accompanied by the Executive Directors, Mr. Tan Yunbiao, Mr. Luo Jianhua and Mr. Sung Hem Huen, had visited the factories of Zhongshan Zhongyue Tinplate Industrial Co., Ltd. in Zhongshan (the "Zhongyue Tinplate factories") in August 2012. An Independent Non-Executive Director, Mr. Li Kar Keung, Caspar, accompanied by the Executive Director, Mr. Tan Yunbiao, had visited the Zhongyue Tinplate factories in December 2012.

Corporate Governance Report (Continued)

Directors' Induction and Continuous Professional Development (Continued)

Participation of Directors in continuous professional development during the year are as follows:

	Type of continuous professional development		
	Attending training course and seminar	Reading regulatory updates or information relevant to the Company or its business	Visiting the Zhongyue Tinplate factories
Tan Yunbiao	✓	✓	✓
Li Li	✓	✓	–
Luo Jianhua	✓	✓	✓
Sung Hem Kuen	✓	✓	✓
Liang Jiang	✓	✓	–
Liang Jianqin	✓	✓	–
Gerard Joseph McMahon	✓	✓	✓
Tam Wai Chu, Maria	✓	✓	✓
Li Kar Keung, Caspar	✓	✓	✓

Corporate Governance Functions

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under CG Code include:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report (Continued)

Corporate Governance Functions (Continued)

During the year, the Board considered the following corporate governance issues:

- adopted the Terms of Reference and Proceedings of the Board;
- adopted the revised Terms of References of the Audit Committee, Nomination Committee and Compensation Committee;
- adopted the Shareholders' Communication Policy and Procedures for Shareholders to propose a person for election as a Director;
- adopted the policy for the employees to raise concerns about possible improprieties; and
- reviewed the effectiveness of the internal controls and risk management systems of the Company through the Internal Audit Department and the Audit Committee.

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 2012, 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.

Corporate Governance Report (Continued)

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 members 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 of the Board and the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. With effect from 24 July 2012, Mr. Liang Jiang ceased to be the chairman and member of the Nomination Committee and Mr. Tan Yunbiao has been appointed as the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2012, the Nomination Committee met twice to review the structure, size and composition of the Board and to consider, nominate and recommend appointment and reappointment of Directors.

Auditors' Remuneration

The remuneration of the Company's auditors, Messrs. KPMG, for services rendered in respect of the year ended 31 December 2012 is set out as follows:

Services rendered	Fee
	HK\$'000
Audit of final results	3,178
Review of interim results	780
Review of continuing connected transactions	220
Tax advisory	200
	4,378

Corporate Governance Report (Continued)

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 2012, the Audit Committee held six meetings, inter alia, to review the 2011 annual results and the 2012 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 2012, the Audit Committee met the external auditor once without the presence of the management to discuss any areas of concerns.

Accountability and Audit

The Directors have acknowledged that they are responsible for overseeing the preparation of financial statements, which give a true and fair view of the state of affairs of the Group and of the results and cash flows in the relevant year. The responsibilities of the external auditor to the shareholders are set out in the Independent Auditor's Report on pages 40 and 41. In preparing the financial statements for the year ended 31 December 2012, 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.

Corporate Governance Report (Continued)

Internal Controls

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

1. A defined organizational structure, with specified limits of authority and lines of responsibility, has been established.
2. Established operating policies and procedures.
3. Delegation of authority – The Directors and/or management are delegated with respective level of authority relating to certain businesses or operational objectives. Committees (e.g. Audit, Compensation and Nomination), of which their decision-making authority is delegated by the Board, are established where necessary to review, approve and monitor particular aspect of operation of the Group.
4. Budgetary system – (i) Business plan and forecasts are prepared annually and subject to monthly review and approval by the management. With annual budget and monthly rolling forecast, the management could identify and evaluate the likelihood of the financial impact of significant business risks in the coming year and achieve the business objectives; (ii) Budgetary system in relation to monthly recurrent and major capital expenditure is in place. Any material variances against budgets are investigated, explained and approved by the respective financial controller.
5. Internal Audit Department – In order to further enhance the internal control of the Group, an internal audit department was established. The internal auditor could access unrestrictedly to review all aspects of the Group's activities and internal controls. Any serious internal control deficiencies or fraud identified would be reported immediately to the Directors or directly to the Audit Committee.
6. Review by Audit Committee and the Board – The Directors review major business and operational activities and financial performance of the Group.
7. Comprehensive accounting system – A reliable and comprehensive accounting system is in place for the recording of financial information of the Group.
8. Monthly review by the management – Key operating and financial performance of each business segment are reviewed by the management on monthly basis. Regular meetings are held to review the business and financial performance against forecast and business strategies to be taken.

During the year ended 31 December 2012, 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.

Corporate Governance Report (Continued)

Internal Controls (Continued)

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.

Company Secretary

The Company Secretary of the Company is Ms. Lo Wing Suet who is not an employee of the Company. She reports to the Board and is responsible for advising the Board on governance matters. Mr. Sung Hem Kuen, the Chief Financial Officer of the Company, is the primary contact person of the Company with Ms. Lo.

Shareholders' Rights

Shareholders convening an extraordinary general meeting

Pursuant to section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Companies Ordinance"), shareholder(s) holding not less than one-twentieth of such of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting. The requisition must state the objects of the meeting, such as election of director, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. If the Board fails to convene a meeting within 21 days from the date of the deposit of the requisition, the requisitionists may themselves convene a meeting within 3 months from the said date. The extraordinary general meeting convened by the Board under this section shall be held not more than 28 days after the date of the notice of meeting.

Procedures for putting forward proposals at a general meeting

Pursuant to Section 115A of the Companies Ordinance, shareholders holding not less than one-fortieth of the total voting rights of all members having at the date of the requisition a right to vote at the meetings to which the requisition relates; or not less than 50 members holding shares in the Company on which there has been paid up an average sum, per member, of not less than HK\$2,000, may, at their own expense, move a resolution (such as election of director) at an annual general meeting by written request. Such written request must (i) state the resolution and signed by all the requisitionists in one or more documents in like form; and (ii) be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the annual general meeting. The requisitionists may also circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and they must also deposit or tender a sum reasonably sufficient to meet the Company's expenses in respect thereof.

Corporate Governance Report (Continued)

Shareholders' Rights (Continued)

Shareholders' enquiries and proposals

Shareholders should direct their enquiries about their shareholdings to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or call its hotline at (852) 2862 8555 .

About matters other than shares and dividends, the Chief Financial Officer or the Company Secretary of the Company are designated to response to enquiries and proposals from the shareholders as well as the public. Enquires and proposals can be made by mail or by phone. The contact details of the Company are set out in the "Contact Us" section of the Company's website at www.gdguangnan.com. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the shareholders and the public. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Constitutional Documents

During the year, there is no change in the Company's constitutional documents. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report



Independent auditor's report to the shareholders of Guangnan (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Guangnan (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 135, which comprise the consolidated and Company balance sheets as at 31 December 2012, 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 2012 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 2013

Consolidated Income Statement

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Turnover	3	3,346,291	3,404,115
Cost of sales		(3,040,857)	(3,092,725)
Gross profit		305,434	311,390
Other revenue	4	16,772	15,426
Other net income	4	6,384	59,308
Distribution costs		(68,490)	(69,919)
Administrative expenses		(104,634)	(98,633)
Other operating expenses		(1,251)	(2,535)
Profit from operations		154,215	215,037
Net valuation gains on investment properties		16,845	28,747
Finance costs	5(a)	(6,438)	(11,675)
Share of profits less losses of associates		(12,526)	33,018
Profit before taxation	5	152,096	265,127
Income tax	6(a)	(28,639)	(33,400)
Profit for the year		123,457	231,727
Attributable to:			
Equity shareholders of the Company		114,921	213,155
Non-controlling interests		8,536	18,572
Profit for the year		123,457	231,727
Earnings per share	11		
Basic		12.7 cents	23.5 cents
Diluted		12.7 cents	23.5 cents

The notes on pages 52 to 135 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 2012

(Expressed in Hong Kong dollars)

	2012 \$'000	2011 \$'000
Profit for the year	123,457	231,727
Other comprehensive income for the year (after taxation):		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	(218)	81,979
Total comprehensive income for the year	123,239	313,706
Attributable to:		
Equity shareholders of the Company	114,718	288,392
Non-controlling interests	8,521	25,314
Total comprehensive income for the year	123,239	313,706

The amount of income tax relating to each component of other comprehensive income for the year is \$Nil (2011: \$Nil).

The notes on pages 52 to 135 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Fixed assets			
– Investment properties		350,974	334,136
– Other property, plant and equipment		735,316	803,576
– Interests in leasehold land held for own use under operating leases		108,885	112,120
	12(a)	1,195,175	1,249,832
Interest in associates	14	287,183	299,259
Deferred tax assets	16(b)	3,946	3,914
		1,486,304	1,553,005
Current assets			
Inventories	17	437,822	368,536
Trade and other receivables, deposits and prepayments	18	628,481	769,312
Current tax recoverable	16(a)	991	876
Cash and cash equivalents	19	471,217	431,242
		1,538,511	1,569,966
Current liabilities			
Trade and other payables	20	369,580	361,626
Bank loans	21(a)	49,492	408,056
Loans from a related company	21(b)	79,560	79,560
Current tax payable	16(a)	25,712	21,399
		524,344	870,641
Net current assets		1,014,167	699,325
Total assets less current liabilities		2,500,471	2,252,330
Non-current liabilities			
Bank loans	21(a)	160,000	–
Deferred tax liabilities	16(b)	43,164	39,626
		203,164	39,626
NET ASSETS		2,297,307	2,212,704

Consolidated Balance Sheet (Continued)

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
CAPITAL AND RESERVES			
Share capital	23(b)	453,647	453,647
Reserves		1,665,621	1,588,069
Total equity attributable to equity shareholders of the Company		2,119,268	2,041,716
Non-controlling interests		178,039	170,988
TOTAL EQUITY		2,297,307	2,212,704

Approved and authorised for issue by the board of directors on 22 March 2013.

LUO Jianhua
Director

SUNG Hem Kuen
Director

The notes on pages 52 to 135 form part of these financial statements.

Balance Sheet

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Fixed assets			
– Investment properties		139,031	130,400
– Other property, plant and equipment		417	144
	12(b)	139,448	130,544
Interest in subsidiaries	13	531,705	537,358
Interest in an associate	14	164,278	164,278
		835,431	832,180
Current assets			
Trade and other receivables, deposits and prepayments	18	41,120	35,361
Cash and cash equivalents	19	9,595	6,660
		50,715	42,021
Current liabilities			
Trade and other payables	20	10,791	10,636
		39,924	31,385
NET ASSETS			
		875,355	863,565
CAPITAL AND RESERVES			
Share capital	23(a)		
Reserves	23(b)	453,647	453,647
		421,708	409,918
TOTAL EQUITY			
		875,355	863,565

Approved and authorised for issue by the board of directors on 22 March 2013.

LUO Jianhua
Director

SUNG Hem Kuen
Director

The notes on pages 52 to 135 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									
		Share capital \$'000	Share premium \$'000	Capital reserve-		Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
				share options \$'000	Exchange reserve \$'000						
Balance at 1 January 2012		453,647	5,419	5,102	307,781	107,440	44,836	1,117,491	2,041,716	170,988	2,212,704
Changes in equity for 2012:											
Profit for the year		-	-	-	-	-	-	114,921	114,921	8,536	123,457
Other comprehensive income											
– Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong		-	-	-	(203)	-	-	-	(203)	(15)	(218)
Total comprehensive income		-	-	-	(203)	-	-	114,921	114,718	8,521	123,239
Transfer to statutory reserves		-	-	-	-	-	5,470	(5,470)	-	-	-
Share-based payment expenses for the year		-	-	(875)	-	-	-	-	(875)	-	(875)
Dividends declared to minority shareholders		-	-	-	-	-	-	-	-	(1,470)	(1,470)
Dividends approved in respect of the previous year	10(b)	-	-	-	-	-	-	(22,682)	(22,682)	-	(22,682)
Dividends declared in respect of the current year	10(a)	-	-	-	-	-	-	(13,609)	(13,609)	-	(13,609)
Balance at 31 December 2012		453,647	5,419	4,227	307,578	107,440	50,306	1,190,651	2,119,268	178,039	2,297,307

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Capital reserve- share options	Exchange reserve	Special capital reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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

The notes on pages 52 to 135 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012		2011	
		\$'000	\$'000	\$'000	\$'000
Operating activities					
Profit before taxation		152,096		265,127	
Adjustments for:					
– Finance costs	5(a)	6,438		11,675	
– Interest income	4	(11,299)		(8,906)	
– Net valuation gains on investment properties	12(a)	(16,845)		(28,747)	
– Net loss on disposal of fixed assets	4	640		429	
– Impairment losses on trade receivables	5(c)	–		144	
– Bad debts written off	5(c)	726		–	
– Reversal of impairment losses on trade receivables	5(c)	(50)		–	
– Depreciation	12(a)	89,206		81,721	
– Amortisation of land lease premium	12(a)	3,205		3,143	
– Share of profits less losses of associates		12,526		(33,018)	
– Foreign exchange gain		(5,611)		(30,311)	
– Write back of liabilities	4	–		(28,658)	
– Net loss on forward foreign exchange contracts	4	732		6,550	
– Equity-settled share-based payment expenses	5(b)	(875)		2,100	
– Gain on deemed disposal of interest in an associate	4	(503)		–	
– Excess of the Group's interest in the acquirees' net fair value of the identifiable assets and liabilities over the costs of acquisition	4	–		(475)	
Operating profit before changes in working capital		230,386		240,774	

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012		2011	
		\$'000	\$'000	\$'000	\$'000
Operating profit before changes in working capital		230,386		240,774	
Increase in inventories		(69,240)		(26,088)	
Decrease/(increase) in trade and other receivables, deposits and prepayments		135,509		(259,198)	
(Increase)/decrease in amounts due from a related company		(1,337)		43,937	
Increase/(decrease) in trade and other payables		37,434		(11,956)	
(Decrease)/increase in amounts due to a related company		(16,293)		95,278	
(Decrease)/increase in amounts due to associates		(1,234)		1,411	
Cash generated from operations		315,225		84,158	
Interest received		16,806		8,005	
Interest paid		(11,453)		(9,233)	
Hong Kong Profits Tax paid		(14,083)		(13,270)	
PRC income tax paid		(6,877)		(40,176)	
Net cash generated from operating activities			299,618		29,484
Investing activities					
Payment for the purchase of fixed assets		(22,889)		(30,065)	
Payment for the acquisition of associates		–		(59,907)	
Dividends received from an associate		–		22,260	
Proceeds from disposal of fixed assets		510		985	
Net cash used in investing activities			(22,379)		(66,727)

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012		2011	
		\$'000	\$'000	\$'000	\$'000
Financing activities					
Dividends paid to equity shareholders of the Company		(36,291)		(40,800)	
Dividends paid to minority shareholders		(2,399)		–	
Proceeds from bank loans		287,275		459,339	
Proceeds from banks on discounted bills		–		12,281	
Repayment of proceeds from banks on discounted bills		(5,031)		(7,364)	
Repayment of bank loans		(480,769)		(568,848)	
Proceeds from loans from a related company		79,560		79,560	
Repayment of loans from a related company		(79,560)		(79,560)	
Proceeds from shares issued under share option schemes		–		1,028	
Decrease in pledged bank deposits		221,393		88,293	
Net cash used in financing activities			(15,822)		(56,071)
Increase/(decrease) in cash and cash equivalents			261,417		(93,314)
Cash and cash equivalents at 1 January			209,813		294,739
Effect of foreign exchange rate changes			(13)		8,388
Cash and cash equivalents at 31 December	19		471,217		209,813

The notes on pages 52 to 135 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 2012 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 and liabilities 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 several amendments to HKFRSs 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:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to HKFRS 7, *Financial instruments: Disclosures*

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

Amendments to HKAS 12, *Income taxes*

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Previously, where investment properties were held under leasehold interests, the Group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 is not rebutted in respect of its investment properties located in Hong Kong. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale. As one of the Group's properties is located in Hong Kong which has no capital gains tax, this has resulted in a reduction in the amount of deferred tax provided on valuation gains. In respect of the Group's investment properties located in the People's Republic of China (the "PRC"), the Group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

This change in policy has been applied retrospectively but has no impact on the deferred tax and other balances in previous period except for restating the components of deferred tax in respect of revaluation of investment properties, depreciation allowances in excess of the related depreciation and tax losses at 1 January 2011 and 31 December 2011, with consequential adjustments to comparatives for the year ended 31 December 2011 as follows:

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

Amendments to HKAS 12, *Income taxes* (Continued)

	As previously reported \$'000	Effect of adoption of amendments to HKAS 12 \$'000	As restated \$'000
Consolidated income statement for the year ended 31 December 2011:			
Deferred tax expenses in respect of			
– revaluation of investment properties	4,985	(4,274)	711
– depreciation allowance in excess of the related depreciation	366	5	371
Deferred tax credit in respect of tax losses	(4,269)	4,269	–
Consolidated balance sheet at 31 December 2011:			
Deferred tax liabilities in respect of			
– revaluation of investment properties	(22,632)	7,958	(14,674)
– depreciation allowances in excess of the related depreciation	(13,456)	(506)	(13,962)
Deferred tax assets in respect of tax losses	7,452	(7,452)	–
Consolidated balance sheet at 1 January 2011:			
Deferred tax liabilities in respect of			
– revaluation of investment properties	(16,967)	3,684	(13,283)
– depreciation allowances in excess of the related depreciation	(12,450)	(501)	(12,951)
Deferred tax assets in respect of tax losses	3,183	(3,183)	–

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.

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 (Continued)

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)).

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(e) Associates (Continued)

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)).

(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 generation 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(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.

(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 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).

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

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)).

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, at the following rates per annum:

- 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)

(I) 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(I)(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(I)(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)

(I) 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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(I) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 in 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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)

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

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

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

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)

(i) Financial guarantees issued (Continued)

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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(u) Revenue recognition (Continued)

(ii) *Rental income from operating leases*

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

(iii) *Commission income*

Commission income is recognised when the relevant services are rendered.

(iv) *Dividends*

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

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(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.

(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 or sale are interrupted or complete.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(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 12, the investment properties are revalued by independent professional valuers on a market value basis at the 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 tinsplate 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:

	2012 \$'000	2011 \$'000
Sales of goods		
– Tinsplate products	2,991,518	3,107,232
– Fresh and live foodstuffs	230,326	167,199
	3,221,844	3,274,431
Commission income from the distribution of fresh and live foodstuffs	97,058	102,094
Rental income from property leasing	27,389	27,590
	3,346,291	3,404,115

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2012, revenue from sales of tinsplate 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 \$781,930,000 (2011: \$856,080,000) 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, intangible assets and current assets with the exception of interest in an 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue from external customers	2,991,518	3,107,232	327,384	269,293	27,389	27,590	3,346,291	3,404,115
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	2,991,518	3,107,232	327,384	269,293	27,389	27,590	3,346,291	3,404,115
Reportable segment profit	65,959	112,229	93,968	90,689	16,745	16,902	176,672	219,820
Reportable segment assets (including interest in associates)	2,208,521	2,348,387	234,621	196,204	359,161	343,012	2,802,303	2,887,603
	-	-	75,321	71,046	-	-	75,321	71,046
Reportable segment liabilities	654,922	840,876	24,346	20,389	39,052	36,367	718,320	897,632
Depreciation and amortisation for the year	90,277	82,458	423	502	1,611	1,789	92,311	84,749
Interest income	11,288	8,898	11	8	-	-	11,299	8,906
Write-down of inventories	10,317	11,782	-	-	-	-	10,317	11,782
Additions to non-current segment assets during the year	21,729	22,544	404	59,996	-	-	22,133	82,540

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

	2012 \$'000	2011 \$'000
Profit		
Reportable segment profit derived from the Group's external customers	176,672	219,820
Unallocated head office and corporate income and expenses	(18,712)	3,107
Net valuation gains on investment properties	16,845	28,747
Finance costs	(6,438)	(11,675)
Share of (loss)/profit of an associate not attributable to any segment	(16,271)	25,128
Consolidated profit before taxation	152,096	265,127
Assets		
Reportable segment assets	2,802,303	2,887,603
Interest in an associate not attributable to any segment	211,862	228,213
Unallocated head office and corporate assets	10,650	7,155
Consolidated total assets	3,024,815	3,122,971
Liabilities		
Reportable segment liabilities	718,320	897,632
Unallocated head office and corporate liabilities	9,188	12,635
Consolidated total liabilities	727,508	910,267

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Hong Kong (place of domicile)	457,126	406,771	140,155	131,271
Mainland China	1,366,616	1,466,956	1,342,203	1,417,820
Asian countries (excluding Mainland China and Hong Kong)	1,032,534	1,071,237	–	–
Other countries	490,015	459,151	–	–
	2,889,165	2,997,344	1,342,203	1,417,820
	3,346,291	3,404,115	1,482,358	1,549,091

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4. Other revenue and net income

	2012 \$'000	2011 \$'000
Other revenue		
Interest income	11,299	8,906
Subsidies received	800	1,609
Others	4,673	4,911
	16,772	15,426
Other net income		
Net realised and unrealised exchange gain	7,152	37,154
Net loss on forward foreign exchange contracts	(732)	(6,550)
Write back of liabilities (note)	–	28,658
Gain on deemed disposal of interest in an associate (note 14(b))	503	–
Net loss on disposal of fixed assets	(640)	(429)
Excess of the Group's interest in the acquirees' net fair value of the identifiable assets and liabilities over the costs of acquisition	–	475
Others	101	–
	6,384	59,308

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	2012 \$'000	2011 \$'000
(a) Finance costs			
Interest on bank advances and other borrowings wholly repayable within 5 years		4,937	10,647
Interest on loans from a related company		1,501	1,028
		6,438	11,675
(b) Staff costs			
Net contributions to defined contribution retirement plans		10,538	8,673
Equity-settled share-based payment expenses		(875)	2,100
Salaries, wages and other benefits		142,850	125,672
		152,513	136,445
(c) Other items			
Cost of inventories sold	(i), 17(b)	3,017,170	3,071,169
Auditors' remuneration		4,679	4,846
Depreciation		89,206	81,721
Amortisation of land lease premium		3,205	3,143
Impairment losses on trade receivables		–	144
Bad debts written off		726	–
Reversal of impairment losses on trade receivables		(50)	–
Write-down of inventories	17(b)	10,317	11,782
Operating lease charges in respect of property rentals		7,246	6,717
Rentals receivable from investment properties less direct outgoings of \$2,290,000 (2011: \$2,322,000)		(25,099)	(25,268)

Note:

- (i) Cost of inventories sold includes \$173,823,000 (2011: \$146,950,000) relating to staff costs, depreciation, amortisation and write-down of inventories, 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	2012 \$'000	2011 \$'000
Current tax – Hong Kong			
Provision for the year		11,869	13,282
(Over)/under-provision in respect of prior years		(9)	48
		11,860	13,330
Current tax – the PRC			
Provision for the year		13,281	30,817
Over-provision in respect of prior years	(iv)	–	(3,813)
		13,281	27,004
Deferred tax			
Origination and reversal of temporary differences		3,498	(6,934)
	(i)	28,639	33,400

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2012 is calculated by applying the estimated annual effective tax rate of 16.5% (2011: 16.5%) to the estimated assessable profits for the year ended 31 December 2012. 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 2012 is calculated by applying the tax rate of 12.5%, being 50% of the transitional tax rate of 25%, 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:

	2012 \$'000	2011 \$'000
Profit before taxation	152,096	265,127
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	30,881	49,806
Tax effect of non-deductible expenses	2,858	4,119
Tax effect of non-taxable revenue	(3,412)	(8,611)
Tax effect of current year's tax losses not recognised	853	–
Tax effect of utilisation of previous years' unrecognised tax losses	(2,532)	(8,149)
Over-provision in respect of prior years	(9)	(3,765)
Actual tax expense	28,639	33,400

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:

	2012						
	Directors' fees \$'000	Basic salaries, allowances and other benefits \$'000	Retirement schemes contributions \$'000	Bonus \$'000	Sub-total \$'000	Share-based payments \$'000	Total \$'000
						(Note)	
Executive directors							
Tan Yunbiao	-	520	303	894	1,717	(135)	1,582
Li Li	-	690	299	894	1,883	(65)	1,818
Luo Jianhua (appointed on 24 July 2012)	-	450	250	805	1,505	(119)	1,386
Sung Hem Kuen	-	1,122	30	358	1,510	(118)	1,392
Non-executive directors							
Liang Jiang (re-designated from executive director on 24 July 2012)	-	700	344	1,424	2,468	(202)	2,266
Liang Jianqin	-	-	-	-	-	-	-
Huang Xiaofeng (resigned on 24 July 2012)	-	-	-	-	-	-	-
Luo Fanyu (resigned on 28 December 2012)	-	-	-	-	-	-	-
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	-	4,382	1,226	4,375	9,983	(639)	9,344

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)

	2011						
	Directors' fees \$'000	Basic salaries, allowances and other benefits \$'000	Retirement schemes contributions \$'000	Bonus \$'000	Sub-total \$'000	Share-based payments \$'000	Total \$'000
						(Note)	
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

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, all (2011: four) are directors whose emoluments are disclosed in note 7. The aggregate emoluments in respect of the one individual for 2011 are as follows:

	2012 \$'000	2011 \$'000
Basic salaries, allowances and other benefits	–	544
Retirement schemes contributions	–	183
Share-based payments	–	227
Bonus	–	624
	–	1,578

The emoluments of the one individual with the highest emolument in 2011 are within the following bands:

\$	2012 Number of individual	2011 Number of individual
1,500,001 – 2,000,000	–	1

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 \$48,956,000 (2011: \$50,928,000) 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:

	2012 \$'000	2011 \$'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	48,956	50,928
Dividend from an associate attributable to the profits of the previous financial year, approved and payable/paid during the year	–	22,260
Company's profit for the year (note 23(a))	48,956	73,188

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:

	2012 \$'000	2011 \$'000
Interim dividend declared and paid of 1.5 cents (2011: 2.5 cents) per ordinary share	13,609	22,682
Final dividend proposed after the balance sheet date of 1.5 cents (2011: 2.5 cents) per ordinary share	13,609	22,682
	27,218	45,364

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:

	2012 \$'000	2011 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.5 cents (2011: 2.0 cents) per ordinary share	22,682	18,118

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 \$114,921,000 (2011: \$213,155,000) and the weighted average number of 907,293,000 (2011: 906,677,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012 '000	2011 '000
Issued ordinary shares at 1 January	907,293	905,923
Effect of share options exercised (notes 22 and 23(c))	–	754
Weighted average number of ordinary shares	907,293	906,677

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 \$114,921,000 (2011: \$213,155,000) and the weighted average number of ordinary shares (diluted) of 907,620,000 (2011: 907,606,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012 '000	2011 '000
Weighted average number of ordinary shares used in the basic earnings per share calculation	907,293	906,677
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (<i>note 22</i>)	327	929
Weighted average number of ordinary shares (diluted)	907,620	907,606

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 2012	450,630	1,918	4,739	787,613	10,270	1,255,170	334,136	139,708	1,729,014
Exchange adjustments	(73)	-	(1)	(129)	(2)	(205)	(7)	(23)	(235)
Additions	1,788	-	10,994	8,462	1,262	22,506	-	-	22,506
Disposals	(587)	-	-	(7,039)	(1,741)	(9,367)	-	-	(9,367)
Transfer in from construction in progress	-	-	(6,926)	6,926	-	-	-	-	-
Fair value adjustment	-	-	-	-	-	-	16,845	-	16,845
At 31 December 2012	451,758	1,918	8,806	795,833	9,789	1,268,104	350,974	139,685	1,758,763
Representing:									
Cost	451,758	1,918	8,806	795,833	9,789	1,268,104	-	139,685	1,407,789
Valuation – 2012	-	-	-	-	-	-	350,974	-	350,974
	451,758	1,918	8,806	795,833	9,789	1,268,104	350,974	139,685	1,758,763
Accumulated depreciation and impairment losses:									
At 1 January 2012	132,306	1,918	-	309,469	7,901	451,594	-	27,588	479,182
Exchange adjustments	37	-	-	167	1	205	-	7	212
Charge for the year	18,510	-	-	69,943	753	89,206	-	3,205	92,411
Written back on disposals	(151)	-	-	(6,410)	(1,656)	(8,217)	-	-	(8,217)
At 31 December 2012	150,702	1,918	-	373,169	6,999	532,788	-	30,800	563,588
Net book value:									
At 31 December 2012	301,056	-	8,806	422,664	2,790	735,316	350,974	108,885	1,195,175

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 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)

(b) The Company

	Leasehold improvements \$'000	Plant and machinery, fixtures and equipment \$'000	Motor vehicles \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:						
At 1 January 2012	1,385	1,257	1,220	3,862	130,400	134,262
Additions	-	61	312	373	-	373
Disposals	-	(78)	(900)	(978)	-	(978)
Fair value adjustment	-	-	-	-	8,631	8,631
At 31 December 2012	1,385	1,240	632	3,257	139,031	142,288
Representing:						
Cost	1,385	1,240	632	3,257	-	3,257
Valuation - 2012	-	-	-	-	139,031	139,031
	1,385	1,240	632	3,257	139,031	142,288
Accumulated depreciation:						
At 1 January 2012	1,385	1,113	1,220	3,718	-	3,718
Charge for the year	-	63	37	100	-	100
Written back on disposals	-	(78)	(900)	(978)	-	(978)
At 31 December 2012	1,385	1,098	357	2,840	-	2,840
Net book value:						
At 31 December 2012	-	142	275	417	139,031	139,448

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, fixtures and furniture, 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)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
In Hong Kong on long-term leases	139,031	130,400	139,031	130,400
Elsewhere in the PRC on medium-term leases	621,884	634,180	–	–
	760,915	764,580	139,031	130,400
Representing:				
Land and buildings carried at fair value	350,974	334,136	139,031	130,400
Buildings carried at cost	301,056	318,324	–	–
	652,030	652,460	139,031	130,400
Interest in leasehold land held for use under operating leases	108,885	112,120	–	–
	760,915	764,580	139,031	130,400

- (d) Investment properties of the Group and the Company situated in Hong Kong with an aggregate value of \$139,031,000 (2011: \$130,400,000) were revalued at 31 December 2012 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited (“Vigers”), who have among their staff members of Hong Kong Institute of Surveyors, on a market value basis. Investment properties of the Group situated in the PRC totalling \$211,943,000 (2011: \$203,736,000) were revalued at 31 December 2012 by either Vigers or 河北衡信資產評估有限公司, independent firms of valuers registered in the PRC, on a market value basis.
- (e) The Group leases out investment properties under operating leases. The leases run for an initial period of 6 months 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within 1 year	18,060	19,280	5,576	1,961
After 1 year but within 5 years	19,396	21,225	6,233	366
After 5 years	12,423	15,085	–	–
	49,879	55,590	11,809	2,327

13. Interest in subsidiaries

	The Company	
	2012 \$'000	2011 \$'000
Unlisted shares, at cost	209,658	210,659
Loans to subsidiaries (note (ii))	141,080	146,043
Amounts due from subsidiaries (note (iii))	439,936	439,625
	790,674	796,327
Less: Impairment losses	(258,969)	(258,969)
	531,705	537,358

Notes:

- (i) Details of the principal subsidiaries are set out in note 31. Details of a company under liquidation which has not been consolidated in the financial statements are set out in note 32.
- (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 have no fixed terms of repayment but are not expected to be recovered within 12 months of the balance sheet date.
- (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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unlisted investment, at cost	–	–	240,000	240,000
Share of net assets	287,183	299,259	–	–
	287,183	299,259	240,000	240,000
Less: Impairment losses	–	–	(75,722)	(75,722)
	287,183	299,259	164,278	164,278

Details of the associates are set out in note 33.

(a) Summary financial information on associates

	Assets \$'000	Liabilities \$'000	Shareholders' equity \$'000	Revenue \$'000	(Loss)/ profit after taxation \$'000
2012					
100 per cent	1,727,794	(790,735)	900,135	2,681,814	(20,826)
Group's effective interest	577,192	(280,162)	287,183	995,394	(12,526)
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

(b) Deemed disposal of interest in an associate

On 31 May 2012, Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu") issued a total of 5,450,000 new shares to certain management personnel of Hubei Jinxu at a price of RMB2.37 per share. After the issuance of the new shares, the Group's equity interest in Hubei Jinxu was diluted from 19.53% to 18.66%, which resulted in a gain on deemed disposal of \$503,000 (note 4). Management considers that the Group is able to exercise significant influence over Hubei Jinxu as a result of representation on the board of directors 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)

15. Other non-current financial assets

	The Group and the Company	
	2012 \$'000	2011 \$'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	
	2012 \$'000	2011 \$'000
Provision for Hong Kong Profits Tax for the year	11,869	13,282
Provisional Profits Tax paid	(10,860)	(10,050)
	1,009	3,232
Balance of Profits Tax payable relating to prior years	1,268	1,268
Taxation outside Hong Kong	22,444	16,023
	24,721	20,523
Representing:		
Current tax recoverable	(991)	(876)
Current tax payable	25,712	21,399
	24,721	20,523

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 (restated)	Revaluation of investment properties \$'000 (restated)	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 2012	13,962	14,674	(2,091)	10,987	(1,820)	35,712
Exchange adjustments	(1)	4	(2)	6	1	8
Charged/(credited) to the consolidated income statement	424	2,054	(801)	1,670	151	3,498
At 31 December 2012	14,385	16,732	(2,894)	12,663	(1,668)	39,218
At 1 January 2011	12,951	13,283	(2,415)	18,556	(1,524)	40,851
Exchange adjustments	640	680	(109)	665	(81)	1,795
Charged/(credited) to the consolidated income statement	371	711	433	(8,234)	(215)	(6,934)
At 31 December 2011	13,962	14,674	(2,091)	10,987	(1,820)	35,712

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	
	2012 \$'000	2011 \$'000
Net deferred tax assets recognised in the consolidated balance sheet	(3,946)	(3,914)
Net deferred tax liabilities recognised in the consolidated balance sheet	43,164	39,626
	39,218	35,712

(c) Deferred tax assets not recognised:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
		(restated)		(restated)
Future benefit of tax losses	366,124	367,803	360,082	362,614

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 of approximately \$2.2 billion (2011 (restated): approximately \$2.2 billion) and approximately \$2.2 billion (2011 (restated): approximately \$2.2 billion) respectively 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	
	2012 \$'000	2011 \$'000
Raw materials, spare parts and consumables	188,280	131,812
Work in progress	14,140	13,461
Finished goods	235,402	223,263
	437,822	368,536

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

	The Group	
	2012 \$'000	2011 \$'000
Carrying amount of inventories sold	3,006,853	3,059,387
Write-down of inventories	10,317	11,782
	3,017,170	3,071,169

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade debtors	172,163	135,138	301	3
Bills receivable	400,328	471,175	–	–
Other receivables, deposits and prepayments	31,229	139,575	440	456
Amounts due from a related company (note (i))	24,761	23,424	–	–
Amounts due from subsidiaries (note (ii))	–	–	40,379	34,902
	628,481	769,312	41,120	35,361

Notes:

- (i) The amounts represent trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (iii) Included in the trade and other receivables, deposits and prepayments of the Group are balances totalling \$220,000 (2011: \$368,000) expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables of the Group are expected to be recovered or recognised as expense within one year.

All of the trade and other receivables, deposits and prepayments of the Company are expected to be recovered or recognised as expense within 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

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within 1 month	572,694	606,772	301	3
1 to 3 months	22,714	16,520	–	–
Over 3 months	1,844	6,445	–	–
	597,252	629,737	301	3

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).

(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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At 1 January	144	–	–	–
Impairment losses recognised	–	144	–	–
Reversal of impairment losses	(50)	–	–	–
Uncollectible amounts written off	(94)	–	–	–
At 31 December	–	144	–	–

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

At 31 December 2012, none (2011: \$94,000) of the Group's trade debtors and bills receivable were individually determined to be impaired. The individually impaired receivables at 31 December 2011 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.

(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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current	594,437	628,095	301	3
1 to 3 months past due	1,376	1,539	–	–
More than 3 months but less than 12 months past due	1,439	–	–	–
Amounts past due	2,815	1,539	–	–
	597,252	629,634	301	3

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19. Cash and cash equivalents

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deposits with banks	1,456	258,878	–	–
Cash at bank and in hand	469,761	172,364	9,595	6,660
Cash and cash equivalents in the balance sheets	471,217	431,242	9,595	6,660
Pledged bank deposits (<i>note 21(a)(iii)</i>)	–	(221,429)	–	–
Cash and cash equivalents in the consolidated cash flow statement	471,217	209,813		

20. Trade and other payables

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade creditors	59,421	35,116	–	–
Other payables and accrued charges	127,412	122,737	10,791	10,636
Amounts due to a related company (<i>note (i)</i>)	157,850	174,143	–	–
Amounts due to associates (<i>note (ii)</i>)	177	1,411	–	–
Amount due to a fellow subsidiary (<i>note (iii)</i>)	23,250	23,250	–	–
Dividend payable to minority shareholders	1,470	2,399	–	–
Derivative financial instruments	–	2,570	–	–
	369,580	361,626	10,791	10,636

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 due to a fellow subsidiary is unsecured, interest-free and has no fixed terms of repayment.
- (iv) None of the trade and other payables are expected to be settled or recognised as income after more than one year (2011: \$2,534,000).

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Due within 1 month or on demand	217,448	210,670	–	–

21. Borrowings

(a) Bank loans

	The Group	
	2012 \$'000	2011 \$'000
Unsecured (note (i))	209,492	211,951
Secured by bills receivable (note (ii))	–	5,031
Secured by bank deposits (note (iii))	–	191,074
	209,492	408,056

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21. Borrowings (Continued)

(a) Bank loans (Continued)

At 31 December 2012, the bank loans were repayable as follows:

	The Group	
	2012 \$'000	2011 \$'000
Within 1 year or on demand	49,492	408,056
After 1 year but within 2 years	160,000	–
	209,492	408,056

Notes:

- (i) *Included in unsecured bank loans are loans of \$160,000,000 (2011: \$160,000,000) which are guaranteed by the Company and subject to fulfilment of certain loan covenants (note 21(a) (iv)).*
- (ii) *The loans at 31 December 2011 were secured by bills receivable with carrying amounts of \$5,031,000.*
- (iii) *The loans at 31 December 2011 were secured by bank deposits of \$221,429,000.*
- (iv) *The loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become repayable 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 2012, none of the covenants relating to the bank loans had been breached.*
- (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 (2011: \$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 (2011: \$Nil).*

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21. Borrowings (Continued)

	The Group	
	2012 \$'000	2011 \$'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") + 1.5% (2011: 3-month LIBOR+0.9%) per annum and repayable on either 18 September 2013 or 28 September 2013.

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	4,400,000	3 months from the date of grant	10 years
Granted on 30 December 2008	3,400,000	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	2,080,000	Note	5.5 years
Granted on 5 July 2010	5,620,000	Note	5.5 years
Total share options	24,100,000		

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:

	2012		2011	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	\$1.428	20,525	\$1.333	24,100
Lapsed during the year	\$1.373	(6,193)	\$0.812	(2,205)
Exercised during the year	\$ –	–	\$0.750	(1,370)
Outstanding at the end of the year	\$1.452	14,332	\$1.428	20,525
Exercisable at the end of the year	\$1.660	4,700	\$1.660	4,700

The options outstanding at 31 December 2012 had a weighted average exercise price of \$1.452 (2011: \$1.428) and a weighted average remaining contractual life of 2.91 years (2011: 3.89 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model (the "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.

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 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 and 1 January 2012	453,647	5,419	5,102	107,440	291,957	863,565
Changes in equity for 2012:						
Total comprehensive income for the year	-	-	-	-	48,956	48,956
Dividends approved in respect of the previous year	-	-	-	-	(22,682)	(22,682)
Dividends declared in respect of the current year	-	-	-	-	(13,609)	(13,609)
Share-based payment expenses for the year	-	-	(875)	-	-	(875)
Balance at 31 December 2012	453,647	5,419	4,227	107,440	304,622	875,355

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital and reserves (Continued)

(b) Share capital

	2012		2011	
	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	907,293	453,647	905,923	452,962
Exercise of share options	–	–	1,370	685
At 31 December	907,293	453,647	907,293	453,647

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, no share options were exercised. During the year 2011, share options were exercised to subscribe for 1,370,000 ordinary shares in the Company at a consideration of \$1,028,000 of which \$685,000 was credited to share capital and the balance of \$343,000 was credited to the share premium account. \$306,000 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 2012, 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 \$215,491,000 (2011: \$211,457,000).

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 2012, the gearing ratio of the Group was as follows:

	2012 \$'000	2011 \$'000
Bank loans	209,492	408,056
Loans from a related company	79,560	79,560
Borrowings	289,052	487,616
Less: Cash and cash equivalents	(471,217)	(431,242)
Net (cash)/borrowings	(182,165)	56,374
Equity attributable to equity shareholders of the Company	2,119,268	2,041,716
Gearing ratio	-8.6%	2.8%

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial risk 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 bills receivable from banks, the Group holds bills receivables issued from the major financial institutions in the PRC.

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

At the balance sheet date, the Group had a certain level of concentration of credit risk as 12.6% (2011: 14.8%) and 41.5% (2011: 46.0%) of the total trade 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

	2012				Total 31 December \$'000	Carrying amount at 31 December \$'000
	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		
Bank loans	49,561	165,065	-	-	214,626	209,492
Loans from a related company	80,611	-	-	-	80,611	79,560
Trade and other payables	369,580	-	-	-	369,580	369,580
	499,752	165,065	-	-	664,817	658,632

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)

	2011					Carrying amount at 31 December \$'000
	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	
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

The Company

	2012					Carrying amount at 31 December \$'000
	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	
Trade and other payables	10,791	-	-	-	10,791	10,791
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)

	2011				Total	Carrying amount at 31 December
	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	\$'000	\$'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	-

(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

	2012		2011	
	Effective interest rate per annum	\$'000	Effective interest rate per annum	\$'000
Fixed rate borrowings:				
Bank loans	0.91%	49,492	3.11%	248,056
Variable rate borrowings:				
Loans from a related company	3-month LIBOR + 1.5%	79,560	3-month LIBOR + 0.9%	79,560
Bank loans	HIBOR* + 2%	160,000	HIBOR + 1%	160,000
		239,560		239,560
Total borrowings		289,052		487,616
Cash and cash equivalents	0.77%	(471,217)	1.49%	(431,242)
Total net (cash)/borrowings		(182,165)		56,374
Fixed rate borrowings as a percentage of total borrowings		17.1%		50.9%

* 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

	2012		2011	
	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%	141,080	2-year fixed deposit rate offered by the designated commercial banks in Hong Kong or in the PRC + 0.5%	146,043
Cash and cash equivalents	0%	9,595	0%	6,660
Total net lending		150,675		152,703

(ii) Sensitivity analysis

At 31 December 2012, 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 an increase of approximately \$1,399,000 and a decrease of approximately \$140,000 respectively in the Group's profit after taxation and retained profits.

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.

The sensitivity analysis above indicates 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 2011.

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 2012, the Group is exposed to currency risk arising from certain inter-company loans amounting to HK\$140,000,000, RMB156,338,000 and US\$22,360,000 (equivalent to HK\$507,220,000 in aggregate) (2011: HK\$140,000,000, RMB50,917,000 and US\$42,060,000 (equivalent to HK\$530,874,000 in aggregate)) which are not in the functional currency of the relevant companies.

In addition, at 31 December 2011, forward foreign exchange contracts were entered into by the Group to hedge the exchange rate risk of the foreign currency loans which amounted to US\$24,497,000 (equivalent to HK\$191,074,000). Changes in the fair value of forward foreign exchange contracts are recognised in profit or loss and their net fair value at 31 December 2011 of \$2,570,000 was recognised as derivative financial instruments and included in trade and other payables (note 20). There were no such forward foreign exchange contract at 31 December 2012.

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 (other than inter-company loans) denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2012	
	United States Dollar '000	Renminbi '000
Trade and other receivables, deposits and prepayments	8,263	–
Cash and cash equivalents	6,637	560
Bank loans	(6,345)	–
Loans from a related company	(10,200)	–
Trade and other payables	(22,255)	(209)
Overall net exposure	(23,900)	351

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)

	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

The Company

	2012		2011	
	United States Dollar '000	Renminbi '000	United States Dollar '000	Renminbi '000
Cash and cash equivalents	33	–	37	–
Overall net exposure	33	–	37	–

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 2012, it is estimated that if United States Dollars had weakened by 3% or strengthened by 1% (2011: 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 \$9,726,000 or decreased by \$3,242,000 (2011: increased by \$13,049,000 or decreased by \$4,350,000) respectively.

At 31 December 2012, it is estimated that if Renminbi had strengthened by 3% or weakened by 1% (2011: 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 \$8,868,000 or decreased by \$2,977,000 (2011: increased by \$4,714,000 or decreased by \$1,590,000) respectively.

The analysis is prepared under the assumption that, the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. That is, for entities with Hong Kong Dollars as their 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 2011.

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

	2012							
	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								
<i>Derivative financial instruments:</i>								
Forward foreign exchange contracts	-	-	-	-	-	-	-	-
	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								
<i>Derivative financial instruments:</i>								
Forward foreign exchange contracts	-	(2,570)	-	(2,570)	-	-	-	-

During the years ended 31 December 2012 and 2011, 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 2012 and 2011, 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 prices or by discounting the contractual forward price and deducting the current spot rate.

25. Commitments

(a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements were as follows:

	The Group	
	2012 \$'000	2011 \$'000
Contracted for	3,880	8,922
Authorised but not contracted for	248,263	6,325
	252,143	15,247

During the year ended 31 December 2012, the board of directors of the Company approved the construction of a new production line (the "New Production Line") for the production of tinplating products within the factory premises of Zhongshan Zhongyue Tinplate Industrial Co., Ltd. in Zhongshan. The New Production Line is expected to have an annual production capacity of 150,000 tonnes of tinplate products upon commencement of operations, and it is estimated that the investment cost of the New Production Line will amount to approximately RMB200 million (equivalent to approximately HK\$247 million).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

25. Commitments (Continued)

- (b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2012 \$'000	2011 \$'000
Within 1 year	2,907	2,431
After 1 year but within 5 years	90	933
	2,997	3,364

The Group leases a number of properties under operating leases. The leases run for an initial period of 1 to 2 years, with an option to renew each lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

- (c) At 31 December 2012, the Company had committed to provide additional capital of \$6,489,000 (2011: \$6,489,000) to an associate of the Group.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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	2012 \$'000	2011 \$'000
Sales of goods to related companies	(i)	781,930	856,080
Commission paid/payable to a related company	(i), (ii)	11,259	12,370
Commission received/receivable from associates	(iii)	13,034	12,807
Purchases of goods from related companies	(i)	1,164,687	1,290,481

Notes:

- (i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd. and its subsidiaries ("POSCO Group").
- (ii) Commission in respect of export distribution services provided to the Group is charged at 1.5% of the contracted prices payable by the overseas customers.
- (iii) 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 sheet. 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26. Material related party transactions (Continued)

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions with POSCO Group above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are set out in “Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” section of the annual report on pages 136 and 137. The related party transactions in respect of distribution of fresh and live foodstuffs with associates do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) 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)

(d) 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	
	2012 \$'000	2011 \$'000
Short-term employee benefits	7,857	5,412
Post-employment benefits	1,226	877
Equity compensation benefits	(639)	1,236
	8,444	7,525

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 \$25,000 effective from 1 June 2012 (2011: \$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 2012 was \$10,538,000 (2011: \$8,673,000). No forfeited contributions refunded for both years.

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 2012 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. Guangdong Holdings Limited produces 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. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

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 2012 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 HKAS 1, <i>Presentation of financial statements</i> – <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 9, <i>Financial instruments</i>	1 January 2015
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 11, <i>Joint arrangements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

30. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012 (Continued)

	Effective for accounting periods beginning on or after
HKAS 27, <i>Separate financial statements (2011)</i>	1 January 2013
HKAS 28, <i>Investments in associates and joint ventures</i>	1 January 2013
<i>Annual Improvements to HKFRSs 2009 – 2011 Cycle</i>	1 January 2013
Amendments to HKFRS 7, <i>Financial instruments: Disclosures</i> – <i>Disclosures – Offsetting financial assets and financial liabilities</i>	1 January 2013
Amendments to HKAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014

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 consolidated financial statements.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

31. List of principal subsidiaries

Particulars of the principal subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation or establishment/ 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		Principal activities
				the Company	a subsidiary	
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)

32.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 establishment and operations	Class of shares held	Registered capital	Proportion of registered capital held by	
				the Company	a subsidiary
Guangdong Guangnan Tianmei Food Development Company Limited [®]	The PRC	N/A	RMB34,820,000	–	55%

[®] an equity joint venture established in the PRC. A petition was presented to the court for liquidation in July 2001.

33.Details of associates

Particulars of the associates at 31 December 2012 are as follows:

Name of associate	Place of establishment and operations	Class of shares held	Proportion of nominal value of issued capital/registered capital held by		Principal activities
			the Company	a subsidiary	
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	Ordinary	–	18.66% (2011: 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\$1,164,687,000 ("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\$535,000 ("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\$770,136,000 (net of commission expense) ("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 2012 did not exceed the annual cap amount of HK\$1,621,620,000 for the Purchase of Blackplate Transaction as disclosed in the announcement dated 13 December 2011;

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 2012 did not exceed the annual cap amount of HK\$19,656,000 for the Sales of Tinplate Transaction by Zhongyue Tinplate as disclosed in the announcement dated 13 December 2011; and
- (iii) the aggregate amount for the year ended 31 December 2012 did not exceed the annual cap amount (net of commission expense) of HK\$1,014,741,000 for the Sales of Tinplate Transactions by Zhongyue Posco as disclosed in the announcement dated 13 December 2011.

The Company's auditors were engaged to report on the Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits and Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the Transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

2. 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				
	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Turnover	3,346,291	3,404,115	2,870,206	2,352,103	2,979,868
Profit from operations	154,215	215,037	243,272	221,451	167,287
Net valuation gains/(losses) on investment properties	16,845	28,747	6,634	16,118	(19,429)
Finance costs	(6,438)	(11,675)	(8,654)	(6,784)	(24,905)
Share of profits less losses of associates	(12,526)	33,018	27,144	12,899	16,528
Profit before taxation	152,096	265,127	268,396	243,684	139,481
Income tax	(28,639)	(33,400)	(49,760)	(40,259)	(18,999)
Profit for the year	123,457	231,727	218,636	203,425	120,482
Attributable to:					
Equity shareholders of the Company	114,921	213,155	202,920	180,724	100,646
Non-controlling interests	8,536	18,572	15,716	22,701	19,836
Profit for the year	123,457	231,727	218,636	203,425	120,482
Earnings per share					
Basic	12.7 cents	23.5 cents	22.4 cents	20.0 cents	11.1 cents
Diluted	12.7 cents	23.5 cents	22.4 cents	19.9 cents	11.1 cents
Dividend per share					
Interim	1.5 cents	2.5 cents	3.0 cents	1.5 cents	2.0 cents
Proposed final	1.5 cents	2.5 cents	2.0 cents	3.0 cents	1.5 cents

Financial Summary (Continued)

(Expressed in Hong Kong dollars)

Assets and liabilities

	As at 31 December				
	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Fixed assets	1,195,175	1,249,832	1,230,839	1,257,688	1,289,614
Interest in associates	287,183	299,259	214,724	196,772	201,973
Other non-current assets	3,946	3,914	3,749	–	9,426
Net current assets	1,014,167	699,325	694,610	456,595	479,403
Total assets less current liabilities	2,500,471	2,252,330	2,143,922	1,911,055	1,980,416
Non-current liabilities	(203,164)	(39,626)	(204,600)	(186,546)	(430,222)
Net assets	2,297,307	2,212,704	1,939,322	1,724,509	1,550,194
Share capital	453,647	453,647	452,962	452,862	452,802
Reserves	1,665,621	1,588,069	1,338,034	1,139,913	984,611
Total equity attributable to equity shareholders of the Company	2,119,268	2,041,716	1,790,996	1,592,775	1,437,413
Non-controlling interests	178,039	170,988	148,326	131,734	112,781
Total equity	2,297,307	2,212,704	1,939,322	1,724,509	1,550,194

