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GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

Financial highlights for the year ended 31 December

	2009 HK\$'000	2008 HK\$'000	Change
Turnover	<u>2,352,103</u>	<u>2,979,868</u>	-21.1%
Profit from operations	<u>221,451</u>	<u>167,287</u>	+32.4%
Profit attributable to shareholders	<u>180,724</u>	<u>100,646</u>	+79.6%
Earnings per share – Basic	<u>HK 20.0 cents</u>	<u>HK 11.1 cents</u>	+80.2%
Dividend per share			
Interim	HK 1.5 cents	HK 2.0 cents	
Proposed final	<u>HK 3.0 cents</u>	<u>HK 1.5 cents</u>	
	<u>HK 4.5 cents</u>	<u>HK 3.5 cents</u>	+28.6%

CHAIRMAN'S STATEMENT

I am pleased to report to the shareholders that Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK\$180,724,000 in 2009, representing a significant increase of 79.6% compared with HK\$100,646,000 in 2008. The basic earnings per share were HK 20.0 cents, representing a significant increase of 80.2% from HK 11.1 cents in 2008.

Dividend

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

Review

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

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

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

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

Prospects

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

Liang Jiang

Chairman

Hong Kong, 26 March 2010

MANAGEMENT DISCUSSION AND 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 are 470,000 tonnes and 150,000 tonnes respectively, of which 220,000 tonnes of tinplate products and 150,000 tonnes of blackplates are from Zhongshan’s capacity, whereas 250,000 tonnes of tinplate products are from Qinhuangdao’s capacity.

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

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

Fresh and Live Foodstuffs

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

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

Property Leasing

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

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

Associate

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

FINANCIAL POSITION

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

Liquidity and Financial Resources

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

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

As at 31 December 2009, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was 5.6% (2008: 12.1%). The decrease was primarily due to the significant net cash inflow from operations during the year. As the amount of borrowings and the borrowing rates of the Group decreased, finance costs in 2009 amounted to HK\$6,784,000, representing a substantial decrease of 72.8% as compared to HK\$24,905,000 in 2008.

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

Capital Expenditure

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

Charges on Assets

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

Exchange Rate Exposure

The majority of the Group's business operations are in mainland China and Hong Kong. During the year, the exchange rates of Hong Kong Dollars against US Dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the impact of Renminbi against US Dollars, since the majority of the Group's sales and purchases are mainly made in Renminbi and US Dollars, the Group does not have material exposure to foreign exchange.

In respect of unforeseen fluctuations of exchange rates, the Group will adopt hedging instruments to hedge the exposure as and when necessary. As at 31 December 2009, there were forward foreign exchange contracts of US\$30,000,000 (equivalent to HK\$234,000,000) (2008: US\$3,387,000 (equivalent to HK\$26,419,000)) entered into by the Group to hedge against foreign currency loans. In addition, as at 31 December 2009, there were forward foreign exchange contracts of US\$23,000,000 (equivalent to HK\$179,400,000) (2008: HK\$114,240,000 and US\$33,500,000 (equivalent to HK\$375,540,000 in aggregate)) entered into by the Group to hedge against the foreign currency exposure in respect of financing the working capital of certain subsidiaries of the Group in the PRC. Except for the above-mentioned, other borrowings are denominated in the functional currency of the corresponding entities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had a total of 1,093 full-time employees, a decrease of 79 from the end of 2008. 80 of the employees were based in Hong Kong and 1,013 were in mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance with reference to the prevailing industry practices. In 2009, the Group continued to implement control on the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on the basis of net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted a share option scheme to encourage excellent participants to continue their contribution to the Group.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2009

The Board announces the consolidated results of the Group for the year ended 31 December 2009, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	<i>Note</i>	2009 \$'000	2008 \$'000
Turnover	3	2,352,103	2,979,868
Cost of sales		(2,064,929)	(2,719,907)
Gross profit		287,174	259,961
Other revenue	4	53,141	13,490
Other net income	5	6,881	30,581
Distribution costs		(52,160)	(56,530)
Administrative expenses		(71,636)	(76,413)
Other operating expenses		(1,949)	(3,802)
Profit from operations		221,451	167,287
Valuation gains / (losses) on investment properties	10(b)	16,118	(19,429)
Finance costs	6(a)	(6,784)	(24,905)
Share of profits less losses of associates		12,899	16,528
Profit before taxation	6	243,684	139,481
Income tax	7	(40,259)	(18,999)
Profit for the year		203,425	120,482
Attributable to:			
Equity shareholders of the Company		180,724	100,646
Minority interests		22,701	19,836
Profit for the year		203,425	120,482
Dividends payable to equity shareholders of the Company attributable to the year:			
	8(a)		
Interim dividend declared during the year		13,586	18,112
Final dividend proposed after the balance sheet date		27,172	13,584
		40,758	31,696
Earnings per share			
	9		
Basic		20.0 cents	11.1 cents
Diluted		19.9 cents	11.1 cents

Consolidated Balance Sheet
At 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	282,420	262,388
- Other property, plant and equipment		864,613	919,846
- Interests in leasehold land held for own use under operating leases		110,655	107,380
		<u>1,257,688</u>	1,289,614
Interest in associate	10	196,772	201,973
Deferred tax assets		-	9,426
		<u>1,454,460</u>	<u>1,501,013</u>
Current assets			
Trading securities		-	2,259
Inventories	11	200,418	401,092
Trade and other receivables, deposits and prepayments	12	506,556	346,489
Current taxation recoverable		415	151
Cash and cash equivalents	13	380,961	428,009
		<u>1,088,350</u>	1,178,000
Non-current asset classified as held for sale		-	3,833
		<u>1,088,350</u>	<u>1,181,833</u>
Current liabilities			
Trade and other payables	14	280,309	481,036
Bank loans	15(a)	230,940	184,521
Loan from immediate holding company	15(b)	-	10,000
Loan from a minority shareholder	15(c)	-	2,940
Loans from a related company	15(d)	79,560	-
Current taxation payable		40,946	23,933
		<u>631,755</u>	702,430
Net current assets		<u>456,595</u>	479,403
Total assets less current liabilities		<u>1,911,055</u>	<u>1,980,416</u>
Non-current liabilities			
Bank loans	15(a)	160,000	405,043
Deferred tax liabilities		26,546	25,179
		<u>186,546</u>	430,222
Net assets		<u>1,724,509</u>	1,550,194
Capital and reserves			
Share capital		452,862	452,802
Reserves		1,139,913	982,135
Amounts recognised directly in equity relating to non-current asset held for sale		-	2,476
Total equity attributable to equity shareholders of the Company		<u>1,592,775</u>	1,437,413
Minority interests		<u>131,734</u>	112,781
Total equity		<u>1,724,509</u>	1,550,194

Notes to the consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31 December 2009, but is derived from these financial statements.

The Group's consolidated 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.

This financial report has been prepared on a basis consistent with the accounting policies and methods adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. Changes in accounting policies

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

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

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

2. Changes in accounting policies (Continued)

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3). Corresponding amounts have been presented on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data.
- The "Improvements to HKFRS (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:
 - As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

2. Changes in accounting policies (Continued)

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

3. Turnover and 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.

- Tinsplating : this segment produces and sells tinsplates 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.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in this financial report 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.
- Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, trading securities and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

3. Turnover and segment reporting (Continued)

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

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.

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.

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

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

	2009 \$'000	2008 \$'000
Profit		
Reportable segment profit derived from the Group's external customers	233,780	159,079
Unallocated head office and corporate income and expenses	(12,329)	8,208
Valuation gains / (losses) on investment properties	16,118	(19,429)
Finance costs	(6,784)	(24,905)
Share of profits less losses of associates	12,899	16,528
Consolidated profit before taxation	243,684	139,481

3. Turnover and segment reporting (Continued)

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

	2009 \$'000	2008 \$'000
Assets		
Reportable segment assets	2,322,758	2,450,369
Interest in associate	196,772	201,973
Trading securities	-	2,259
Non-current asset classified as held for sale	-	3,833
Unallocated head office and corporate assets	<u>23,280</u>	<u>24,412</u>
Consolidated total assets	<u><u>2,542,810</u></u>	<u><u>2,682,846</u></u>
Liabilities		
Reportable segment liabilities	776,807	1,077,699
Loan from immediate holding company	-	10,000
Unallocated head office and corporate liabilities	<u>41,494</u>	<u>44,953</u>
Consolidated total liabilities	<u><u>818,301</u></u>	<u><u>1,132,652</u></u>

(c) Geographic information

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

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

4. Other revenue

	<i>2009</i>	<i>2008</i>
	\$'000	\$'000
Sales of scrap materials	5,092	3,720
Interest income	5,809	6,984
Dividends from listed securities	56	353
Subsidies received (note)	37,564	-
Others	4,620	2,433
	<u>53,141</u>	<u>13,490</u>

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

5. Other net income

	<i>2009</i>	<i>2008</i>
	\$'000	\$'000
Net loss on disposal of fixed assets	(453)	(656)
Net realised and unrealised gain/(loss) on trading securities	1,659	(4,140)
Gain on disposal of an associate	1,061	-
Gain on deregistration of a subsidiary	829	-
Net gain/(loss) on forward foreign exchange contracts	2,373	(1,833)
Net realised and unrealised exchange gain	1,412	37,210
	<u>6,881</u>	<u>30,581</u>

6. Profit before taxation

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

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

Notes:

- (i) The amount represents interest expenses paid for a bank loan borrowed by a subsidiary of the Group specifically for the purpose of the construction of fixed assets.
- (ii) Cost of inventories sold includes \$117,027,000 (2008: \$155,512,000) relating to the write-down of inventories, staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents :

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

Notes:

- (i) The provision for Hong Kong Profits Tax for 2009 is calculated by applying the estimated annual effective tax rate of 16.5% (2008: 16.5%) to estimated assessable profits for the year ended 31 December 2009. Income tax for subsidiaries established and operating in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant provinces or economic zones in the PRC.
- (ii) In accordance with the Corporate Income Tax Law of the PRC (“New Tax Law”), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance (“Implementation Guidance”) on 26 December 2007, which sets out the details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the income tax rate for certain PRC subsidiaries of the Group is to be changed gradually to the standard rate of 25% over a five-year transition period beginning from 2008. The details of the tax relief are disclosed in the following notes.
- (iii) A subsidiary, Zhongshan Zhongyue Tinsplate Industrial Co., Ltd. (“Zhongyue Tinsplate”), is subject to Enterprise Income Tax at the standard rate of 25%. However, it may be eligible for a reduction in tax rate if it fulfils certain criteria set out in the New Tax Law and certain other applicable regulations. It is currently uncertain as to how the fulfilment of these criteria is to be assessed and the tax authorities have not confirmed the application of the reduced tax rate for the years ended 31 December 2008 and 2009. In view of the above factors, Zhongyue Tinsplate has adopted the standard tax rate of 25% for tax provision purposes for both years. Any over-provision for income tax expense will be accounted for in the future when the tax position of Zhongyue Tinsplate has been confirmed.

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

Taxation in the consolidated income statement represents : (Continued)

Notes: (Continued)

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

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

In accordance with Caishui (2008) No. 1 issued by State Tax Authorities, undistributed profits from the PRC companies up to 31 December 2007 will be exempted from withholding tax when they are distributed in future.

As the Company controls the dividend policy of the PRC subsidiaries and it has determined that the profits of the PRC subsidiaries for the current and prior years will not be distributed in the foreseeable future, no provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries has been made as at 31 December 2009 and 31 December 2008.

8. Dividends

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

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

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

8. Dividends (Continued)

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

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

9. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$180,724,000 (2008: \$100,646,000) and the weighted average of 905,635,000 (2008: 905,603,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 '000	2008 '000
Issued ordinary shares at 1 January	905,603	905,603
Effect of share options exercised	32	-
Weighted average number of ordinary shares	<u>905,635</u>	<u>905,603</u>

(b) *Diluted earnings per share*

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

Weighted average number of ordinary shares (diluted)

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

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

10. Fixed Assets

(a) Acquisitions

During the year, the Group acquired items of property, plant and equipment with a cost of \$39,440,000 (2008: \$100,333,000).

(b) Investment properties

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

Investment properties in Hong Kong are pledged to secure the bank loans of \$160,000,000 (note 15(a)(iii)).

11. Inventories

Inventories in the consolidated balance sheet comprise:

	2009	2008
	\$'000	\$'000
Raw materials, spare parts and consumables	104,405	167,867
Work in progress	14,980	21,615
Finished goods	81,033	211,610
	<u>200,418</u>	<u>401,092</u>

12. Trade and other receivables, deposits and prepayments

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

	2009	2008
	\$'000	\$'000
Current	<u>381,291</u>	<u>272,297</u>
Less than 1 month past due	799	277
1 to 3 months past due	1,557	261
More than 3 months but less than 12 months past due	827	2,081
Amounts past due	<u>3,183</u>	<u>2,619</u>
	<u>384,474</u>	<u>274,916</u>

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

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

13. Cash and cash equivalents

Analysis of the balances of cash and cash equivalents is set out below:

	<i>2009</i> \$'000	<i>2008</i> \$'000
Deposits with banks	237,578	149,273
Cash at bank and in hand	<u>143,383</u>	<u>278,736</u>
Cash and cash equivalents in the consolidated balance sheet	380,961	428,009
Pledged bank balances	<u>(246,018)</u>	<u>(37,566)</u>
	<u>134,943</u>	<u>390,443</u>

14. Trade and other payables

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

	<i>2009</i> \$'000	<i>2008</i> \$'000
Due within 1 month or on demand	108,475	263,303
Due after 1 month but within 3 months	<u>-</u>	<u>58,525</u>
	<u>108,475</u>	<u>321,828</u>

15. Borrowings

	<i>Note</i>	2009 \$'000	2008 \$'000
(a) Bank loans			
- unsecured	(i)	-	85,043
- secured by bank deposits	(ii)	230,940	24,521
- secured by investment properties	(iii)	160,000	480,000
		390,940	589,564

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

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

Notes:

- (i) The unsecured bank loans as at 31 December 2008 were granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group and guaranteed by Zhongyue Tinplate, a subsidiary of the Group. As at 31 December 2008, the minority shareholder provided a counter-guarantee to Zhongyue Tinplate of \$28,915,000 in relation to these unsecured bank loans.
- (ii) The loans are secured by bank deposits of \$233,035,000 (2008: \$24,515,000).
- (iii) The loans are guaranteed by the Company which also pledged the investment properties situated in Hong Kong with carrying value of \$95,885,000 (2008: \$85,911,000) as collateral.

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

Further, the loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2009, none of the covenants relating to the bank loans had been breached.

15. Borrowings (Continued)

(a) Bank loans (Continued)

Notes: (Continued)

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

	<i>2009</i> \$'000	<i>2008</i> \$'000
(b) Loan from immediate holding company	<u>-</u>	<u>10,000</u>

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

	<i>2009</i> \$'000	<i>2008</i> \$'000
(c) Loan from a minority shareholder	<u>-</u>	<u>2,940</u>

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

	<i>2009</i> \$'000	<i>2008</i> \$'000
(d) Loans from a related company	<u>79,560</u>	<u>-</u>

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Dividend

The Directors resolved to make the payment of an interim dividend of HK 1.5 cents per share (2008 : HK 2.0 cents) and recommend the payment of a final dividend of HK 3.0 cents per share (2008 : HK 1.5 cents) for the year ended 31 December 2009. The proposed final dividend, if approved at the 2010 Annual General Meeting of the Company, is expected to be paid on Monday, 28 June 2010 to the shareholders whose names appear on the register of members of the Company on Friday, 28 May 2010.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 26 May 2010 to Friday, 28 May 2010, both days inclusive. During the period, no transfer of shares will be registered.

In order to qualify for the 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2010.

Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2009.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2009 have been reviewed by the Company's Audit Committee.

Purchase, Sale and Redemption of Listed Securities

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

By Order of the Board

Liang Jiang

Chairman

Hong Kong, 26 March 2010

As at the date of this announcement, the Board is composed of three executive directors, namely Messrs. Liang Jiang, Tan Yunbiao and Sung Hem Kuen; three non-executive directors, namely Messrs. Huang Xiaofeng and Luo Fanyu and Ms. Hou Zhuobing; and three independent non-executive directors, namely Mr. Gerard Joseph McMahan, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.