GDH

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 2010

Financial highlights for the year ended 31 December

	2010	2009	
	HK$'000	HK$'000	Change
Turnover	**2,870,206**	2,352,103	+22.0 %
Profit from operations	**243,272**	221,451	+9.9%
Profit attributable to shareholders	**202,920**	180,724	+12.3%
Earnings per share – Basic	**HK 22.4 cents**	HK 20.0 cents	+12.0%
Dividend per share			
Interim	**HK 3.0 cents**	HK 1.5 cents	
Proposed final	**HK 2.0 cents**	HK 3.0 cents	
	HK 5.0 cents	HK 4.5 cents	+11.1%

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$202,920,000 in 2010, representing an increase of 12.3% compared with HK$180,724,000 in 2009. The basic earnings per share were HK 22.4 cents, representing an increase of 12.0% from HK 20.0 cents in 2009.

Dividend

The Board of Directors of the Company (the “Board”) recommends the payment of a final dividend of HK 2.0 cents per share for the year 2010. The final dividend for 2010, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 27 June 2011.

Review

In 2010, all business segments of the Group were steadily improving. The consolidated turnover was HK$2,870,206,000, representing an increase of 22.0% from HK$2,352,103,000 in 2009. Profit from operations was HK$243,272,000, representing an increase of 9.9% from HK$221,451,000 in 2009. Both tinplating and fresh and live foodstuffs businesses had satisfactory development.

The Group’s tinplating business was improving steadily in 2010. With the recovery in the prices of iron and steel in 2009, the purchase prices of raw materials and the selling prices of tinplate products continued to increase in the first half of 2010. The quality of blackplates and added values to the products of the Group’s blackplate manufacturing plant in Zhongshan is enhancing gradually, and the production and sales volumes of the tinplating plant in Qinhuangdao are also increasing stably. Although the supply of raw materials became sufficient and the industry stock level was relatively high in the second half of the year, posing pressure on the sales volume and selling prices of tinplate products, turnover and gross profit of the Group’s tinplating business still increased.

In respect of the fresh and live foodstuffs business, with the increase in the number of live pigs distributed and the volume of chilled foodstuffs sold as compared to 2009, both turnover and operating profit of the fresh and live foodstuffs business recorded increases as compared to 2009. Through continued efforts and the strong support from major suppliers in providing premium quality sources of goods, the Group actively contributed to maintaining the supply and stable prices for the market. During the year, the overall market share of the live pigs imported into Hong Kong was maintained at over 40%, which provided a stable contribution to the earnings of the Group. In January 2011, the Group acquired a 19.53% interest in one of its major suppliers. Such acquisition was a leap towards consolidating premium quality sources of live pigs and building a solid business chain for the fresh and live foodstuffs business.

Prospects

In 2011, there exist many uncertainties and challenges in the global economy during its recovery. It is expected that the prices of iron and steel products will remain volatile and the product demand and consumption growth may not necessarily keep up with the increase in production capacity of the industry. In the short run, supply will continue to exceed demand, and increases in various costs will pose pressure on the iron and steel industry, leaving the market to be an intensely competitive one. In respect of the tinplating business, the Group defines 2011 as the year of marketing breakthrough. We will commit ourselves to analysing demands of users, further improving product quality and sales service level, and timely adjusting product mix so as to get in line with the market prices and provide customers with diversified and suitable products. The two tinplate production bases in the northern and southern regions will bring their respective comparative advantages in product types into full play, capture the beneficial opportunities arising from a relatively sufficient supply of major raw materials, strive to increase production volume and seek to achieve economy of scale. In respect of the fresh and live foodstuffs business, we will grasp various development opportunities to continue building a solid business chain for fresh and live foodstuffs business. By leveraging on our sound financial position and abundant capital resources, we will continue to seek various possibilities for development and strategic cooperation so as to lay a solid foundation for sustainable future development.

Liang Jiang
Chairman

Hong Kong, 24 March 2011

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

In 2010, the Group produced 303,695 tonnes of tinplate products, representing an increase of 13.1% as compared to that in 2009. Among which, Zhongyue Tinplate and Zhongyue Posco produced 175,697 tonnes and 127,998 tonnes respectively. Besides, the blackplate manufacturing plant of Zhongyue Tinplate produced 133,802 tonnes of blackplates, an increase of 26.7% as compared to that in 2009, providing a steady supply of raw materials (i.e. blackplates) for its production of tinplate products. The Group's tinplating plants in the northern and southern China sold 297,776 tonnes of tinplate products, an increase of 4.4% as compared to that in 2009, of which, Zhongyue Tinplate sold 171,654 tonnes, a decrease of 5.5% as compared to that in 2009 and Zhongyue Posco sold 126,122 tonnes of tinplate products, an increase of 21.9% as compared to that in 2009. Turnover was HK$2,627,159,000, an increase of 22.5% as compared to that in 2009 and profit from operations was HK$167,508,000, an increase of HK$13,809,000 or 9.0% as compared to that in 2009. The tinplating business contributed the largest share to the earnings of the Group and accounted for 91.5% and 68.9% of the Group's turnover and profit from operations respectively.

The tinplating business of the Group entered into a phase of consolidation and enhancement in 2010. With the recovery in the prices of iron and steel in 2009, the purchase prices of raw materials and the selling prices of tinplate products continued to increase in the first half of 2010. However, the market prices of hot-rolled plates, the primary raw material for the production of blackplates, and the market prices of tinplate products decreased in the second half of the year. The supply of raw materials became sufficient and the industry stock level was relatively high, posing pressure on sales volume and selling prices of tinplate products. In early 2011, there are signs of a rebound in the market prices of raw materials and tinplate products. It is expected that the prices of iron and steel products will remain volatile in 2011. During the year, the Group adopted measures in various aspects. Firstly, the Group strengthened cost control and got hold of the pace of purchase, production and sales, and timely adjusted the product mix. In addition, the Group took up a substantial number of projects in technology improvement, including the deployment of Six Sigma methodology in its management as the key tool for improvement of technology and management. As a result, the quality of blackplates and value added to the products from the Group's blackplate manufacturing plant in Zhongshan was further improved. Product categories were expanded and the further utilisation of production capacity of the blackplate manufacturing plant was facilitated. On the other hand, in order to further utilise the production capacity and increase the sales volume of the tinplating plant in Qinhuangdao, the Group fully leveraged on resource sharing between the two tinplating plants in southern and northern China. Synergies were derived from the complementary effect in types of products produced. Endeavours were made to expand the overseas market so as to increase exports. Thus, the sales volume of Zhongyue Posco increased by 21.9% as compared with 2009, reducing the pressure arising from the increase in costs through gradually expanding production scale so as to achieve economies of scale.

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 2010, the turnover of the fresh and live foodstuffs business amounted to HK$216,111,000, representing an increase of 20.0% as compared to that in 2009. Profit from operations was HK$74,787,000, representing an increase of HK$12,347,000 or 19.8% as compared to that in 2009. Both turnover and profit from operations of the fresh and live foodstuffs business grew as compared to that in 2009 as a result of the increase in the number of live pigs distributed and the volume of chilled foodstuffs sold. Through continuous optimisation of business workflow, the Group proactively strengthened its communication with suppliers, industry participants and customers. Service standards were enhanced. The Group also actively contributed to maintaining the supply and stable prices for the market and widened its sales channels. The overall market share in the live pigs imported into Hong Kong was maintained at over 40%, which provided a stable contribution to the earnings of the Group.

In January 2011, the Group acquired a 19.53% interest in one of its major suppliers, Hubei Liangyou Livestock and Poultry Co. Ltd. ("Hubei Liangyou"), at a consideration of RMB40 million (equivalent to approximately HK$47 million). Hubei Liangyou mainly engages in pig farming and related activities in Guangdong, Hubei and Hainan. It is expected that such acquisition will help the Group to consolidate premium quality sources of live pigs in order to gradually build a solid business chain for fresh and live foodstuffs business and enhance its competitiveness.

Property Leasing

The Group's leasing properties mainly include the plant and staff dormitories of Zhongyue Tinplate and Zhongyue Posco, and the office units in Hong Kong.

In 2010, turnover from the property leasing business of the Group was HK$26,936,000, an increase of 0.5% as compared to that in 2009. Profit from operations of leasing properties amounted to HK$16,299,000, a decrease of 7.6% as compared to that in 2009. Along with the continual increase in the price of office units in Hong Kong in 2010, net valuation gains on investment properties of HK$6,634,000 (2009: HK$16,118,000) were recorded.

Associate

In 2010, Yellow Dragon Food Industry Co., Limited, an associate of the Group, recorded a sales volume of 415,562 tonnes in its major product, corn starch, representing a decrease of 3.5% as compared with that in 2009. With the substantial rise in the price of the products from last year, turnover and profit attributable to shareholders amounted to HK$1,849,567,000 and HK$67,859,000 respectively, representing an increase of 24.9% and 110.4% as compared with that in 2009.

FINANCIAL POSITION

As at 31 December 2010, the Group's total assets and total liabilities amounted to HK$2,894,551,000 and HK$955,229,000, representing an increase of HK$351,741,000 and HK$136,928,000 respectively when compared with the positions at the end of 2009. The net current assets increased from HK$456,595,000 at the end of 2009 to HK$694,610,000, which was mainly attributable to the proceeds from two-year bank loans amounting to HK$160,000,000 borrowed in June and July 2010. The current ratio (current assets divided by current liabilities) increased from 1.72 as at the end of 2009 to 1.93.

Liquidity and Financial Resources

As at 31 December 2010, the Group maintained cash and cash equivalent balances of HK$589,822,000, including pledged bank deposits of HK$295,083,000. An amount of HK$464,181,000 was denominated in Renminbi and HK$41,936,000 was denominated in United States ("US") Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalent balances increased by 54.8% from the end of 2009, which was mainly attributable to the net cash inflow from operations during the year and proceeds from bank loans.

As at 31 December 2010, the Group's borrowings comprised 1) bank borrowings of HK$495,872,000 (2009: HK$390,940,000), of which i) HK$218,987,000 (2009: HK$Nil) was unsecured, ii) HK$Nil (2009: HK$160,000,000) was pledged by investment properties in Hong Kong and iii) HK$276,885,000 (2009: HK$230,940,000) was secured by bank deposits of HK$294,813,000 (2009: HK$233,035,000); and 2) loans from a related company of HK$79,560,000 (2009: HK$79,560,000). 27.8% (2009: 34.0%) of the Group's borrowings was guaranteed by the Company. 72.2% (2009: 66.0%) of the Group's borrowings was repayable within 1 year, and the remaining balance was repayable within 2 years (2009: 2 years). All borrowings were subject to annual interest rates ranging from 0.64% to 3.16% (2009: 0.28% to 2.30%). 41.6% (2009: 50.9%) of the Group's borrowings bears interest at floating rates. The management pays attention to variations in interest rates.

As at 31 December 2010, 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 -0.8% (2009: 5.6%). The decrease was primarily due to the significant net cash inflow from operations during the year.

On 14 June 2010, the Group entered into a facility agreement (the "Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited. According to the Facility Agreement, the Group was granted a facility to borrow unsecured loans of HK$160,000,000 for a term of 2 years. The loans bear interest at a floating rate of Hong Kong Interbank Offered Rate plus 1.0% per annum. Such loans were applied as the working capital for the Group. In June and July 2010, these loans of HK$160,000,000 have been drawn by the Group.

As at 31 December 2010, 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$217,646,000 was utilised and HK$98,354,000 was unutilised. 53.5% of the Group's banking facilities was guaranteed by the Company. Currently, the cash reserves and available banking facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

Capital Expenditure

The Group's capital expenditure in 2010 amounted to HK$33,756,000 (2009: HK$39,440,000). It is expected that the capital expenditure for 2011 will be approximately HK$47,000,000, mainly for the technology improvement projects of the blackplate manufacturing plant of Zhongyue Tinplate to further enhance the quality and added value of the blackplates.

Charges on Assets

As at 31 December 2010, certain assets of the Group with an aggregate carrying value of HK$399,583,000 (2009: HK$341,903,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations are in mainland China and Hong Kong. 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 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 2010, there were forward foreign exchange contracts of US$36,230,000 (equivalent to HK$282,594,000) (2009: US$30,000,000 (equivalent to HK$234,000,000)) entered into by the Group to hedge against foreign currency loans. In addition, as at 31 December 2010, there were forward foreign exchange contracts of US$26,850,000 (equivalent to HK$209,430,000) (2009: US$23,000,000 (equivalent to HK$179,400,000)) 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 abovementioned, other borrowings are denominated in the functional currency of the corresponding entities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had a total of 1,149 full-time employees, an increase of 56 from the end of 2009. 120 of the employees were based in Hong Kong and 1,029 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 2010, 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, a performance bonus for various profit rankings was paid on the basis of net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted a share option scheme to encourage excellent participants to continue their contribution to the Group.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010

The Board announces the consolidated results of the Group for the year ended 31 December 2010, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	***2010*** **$'000**	*2009* $'000
Turnover	3	**2,870,206**	2,352,103
Cost of sales		**(2,508,669)**	(2,064,929)
Gross profit		**361,537**	287,174
Other revenue	4	**19,799**	53,141
Other net income	5	**31,167**	6,881
Distribution costs		**(60,328)**	(52,160)
Administrative expenses		**(92,348)**	(71,636)
Other operating expenses		**(16,555)**	(1,949)
Profit from operations		**243,272**	221,451
Net valuation gains on investment properties	10(b)	**6,634**	16,118
Finance costs	6(a)	**(8,654)**	(6,784)
Share of profit of associate		**27,144**	12,899
Profit before taxation	6	**268,396**	243,684
Income tax	7	**(49,760)**	(40,259)
Profit for the year		**218,636**	203,425
Attributable to:			
Equity shareholders of the Company		**202,920**	180,724
Non-controlling interests		**15,716**	22,701
Profit for the year		**218,636**	203,425
Dividends payable to equity shareholders of the Company attributable to the year:	8(a)		
Interim dividend declared and paid during the year		**27,178**	13,586
Final dividend proposed after the balance sheet date		**18,118**	27,178
		45,296	40,764
Earnings per share			
Basic	9(a)	**22.4 cents**	20.0 cents
Diluted	9(b)	**22.4 cents**	19.9 cents

Consolidated Balance Sheet
At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	***2010*** **$'000**	*2009* $'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	**295,832**	282,420
- Other property, plant and equipment		**825,123**	864,613
- Interests in leasehold land held for own use under operating leases		**109,884**	110,655
	10	**1,230,839**	1,257,688
Interest in associate		**214,724**	196,772
Deferred tax assets		**3,749**	-
		1,449,312	1,454,460
Current assets			
Inventories	11	**325,693**	200,418
Trade and other receivables, deposits and prepayments	12	**529,080**	506,556
Current taxation recoverable		**644**	415
Cash and cash equivalents	13	**589,822**	380,961
		1,445,239	1,088,350
Current liabilities			
Trade and other payables	14	**302,009**	280,309
Bank loans	15(a)	**335,872**	230,940
Loans from a related company	15(b)	**79,560**	79,560
Current taxation payable		**33,188**	40,946
		750,629	631,755
Net current assets		**694,610**	456,595
Total assets less current liabilities		**2,143,922**	1,911,055
Non-current liabilities			
Bank loans	15(a)	**160,000**	160,000
Deferred tax liabilities		**44,600**	26,546
		204,600	186,546
Net assets		**1,939,322**	1,724,509
Capital and reserves			
Share capital		**452,962**	452,862
Reserves		**1,338,034**	1,139,913
Total equity attributable to equity shareholders of the Company		**1,790,996**	1,592,775
Non-controlling interests		**148,326**	131,734
Total equity		**1,939,322**	1,724,509

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 2010, 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 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 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 two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
- Improvements to HKFRSs (2009)
- HK (IFRIC) 17, Distributions of non-cash assets to owners
- HK (Int) 5, Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

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

The issuance of HK (Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policies but none of these changes in policy has a material impact on the current or comparative periods.

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 3 reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(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 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.

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.

3. Turnover and segment reporting (Continued)

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

	Tinplating		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**2,627,159**	2,145,267	**216,111**	180,029	**26,936**	26,807	**2,870,206**	2,352,103
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Reportable segment revenue	**2,627,159**	2,145,267	**216,111**	180,029	**26,936**	26,807	**2,870,206**	2,352,103
Reportable segment profit	**167,508**	153,699	**74,787**	62,440	**16,299**	17,641	**258,594**	233,780
Reportable segment assets	**2,245,592**	1,925,397	**122,302**	95,070	**308,621**	302,291	**2,676,515**	2,322,758
Reportable segment liabilities	**850,977**	715,402	**29,744**	30,328	**35,343**	31,077	**916,064**	776,807
Depreciation and amortisation for the year	**84,778**	86,269	**478**	373	**1,363**	1,995	**86,619**	88,637
Interest income	**11,901**	5,800	**8**	9	**-**	-	**11,909**	5,809
Write-down of inventories	**13,928**	5,500	**-**	4	**-**	-	**13,928**	5,504
Impairment losses on fixed assets	**14,704**	-	**-**	-	**-**	-	**14,704**	-
Additions to non-current segment assets during the year	**33,033**	34,726	**657**	458	**17**	4,214	**33,707**	39,398

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

	2010	*2009*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers	**258,594**	233,780
Unallocated head office and corporate income and expenses	**(15,322)**	(12,329)
Net valuation gains on investment properties	**6,634**	16,118
Finance costs	**(8,654)**	(6,784)
Share of profit of associate	**27,144**	12,899
Consolidated profit before taxation	**268,396**	243,684

3. Turnover and segment reporting (Continued)

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

	2010	*2009*
	$'000	$'000
Assets		
Reportable segment assets	**2,676,515**	2,322,758
Interest in associate	**214,724**	196,772
Unallocated head office and corporate assets	**3,312**	23,280
Consolidated total assets	**2,894,551**	2,542,810
Liabilities		
Reportable segment liabilities	**916,064**	776,807
Unallocated head office and corporate liabilities	**39,165**	41,494
Consolidated total liabilities	**955,229**	818,301

(c) Geographic information

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

	Revenue from external customers		*Specified non-current assets*	
	2010	*2009*	***2010***	*2009*
	$'000	$'000	**$'000**	*$'000*
Hong Kong (place of domicile)	**293,528**	238,092	**105,900**	97,379
Mainland China	**1,242,945**	1,406,241	**1,339,663**	1,357,081
Asian countries (excluding Mainland China and Hong Kong)	**1,151,447**	549,569	**-**	-
Other countries	**182,286**	158,201	**-**	-
	2,576,678	2,114,011	**1,339,663**	1,357,081
	2,870,206	2,352,103	**1,445,563**	1,454,460

4. Other revenue

	2010	*2009*
	$'000	$'000
Interest income	**11,909**	5,809
Subsidies received (note)	**1,804**	37,564
Others	**6,086**	9,768
	19,799	53,141

Note: The subsidies for 2009 were mainly granted to a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco") by the local government authority in the People's Republic of China ("PRC") for its continuous contribution to the development of the metal-plating industry.

5. Other net income

	2010	*2009*
	$'000	$'000
Net realised and unrealised exchange gain	**27,956**	1,412
Net (loss)/gain on forward foreign exchange contracts	**(1,305)**	2,373
Write back of liabilities	**4,810**	-
Net loss on disposal of fixed assets	**(294)**	(453)
Net realised gain on trading securities	**-**	1,659
Gain on disposal of an associate	**-**	1,061
Gain on deregistration of a subsidiary	**-**	829
	31,167	6,881

6. Profit before taxation

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

	2010	*2009*
	$'000	$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within 5 years	**6,975**	6,201
Interest on loan from immediate holding company	**-**	80
Interest on loans from a related company	**1,679**	503
	8,654	6,784
(b) Staff costs		
Net contributions paid to defined contribution retirement plans	**7,164**	5,742
Equity-settled share-based payment expenses	**1,493**	669
Salaries, wages and other benefits	**105,898**	82,681
	114,555	89,092

6. Profit before taxation (Continued)

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

	_2010_	_2009_
	$'000	$'000
(c) Other items		
Cost of inventories sold (note)	**2,487,742**	2,047,761
Auditors' remuneration	**3,626**	3,517
Depreciation	**83,763**	85,885
Amortisation of land lease premium	**3,026**	2,943
Impairment losses on trade receivables	**-**	256
Reversal of impairment losses on trade receivables	**(256)**	-
Write-down of inventories	**13,928**	5,504
Impairment losses on fixed assets	**14,704**	-
Operating lease charges in respect of property rentals	**5,506**	4,140
Rentals receivable from investment properties less direct outgoings of $2,111,000 (2009: $2,533,000)	**(24,825)**	(24,274)

Note: Cost of inventories sold includes $133,515,000 (2009: $117,027,000) 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:

		_2010_	_2009_
	Note	**$'000**	$'000
Current tax – Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2009: 16.5%) on the estimated assessable profits for the year		**10,002**	9,759
(Over)/under-provision in respect of prior years		**(651)**	2,023
		9,351	11,782
Current tax – the PRC			
Tax for the year		**40,018**	17,718
Over-provision in respect of prior years	(iv)	**(13,123)**	-
		26,895	17,718
Deferred tax			
Origination and reversal of temporary differences		**13,514**	10,759
	(i)	**49,760**	40,259

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

Taxation in the consolidated income statement represents: (Continued)

Notes:

(i) The provision for Hong Kong Profits Tax for 2010 is calculated by applying the estimated annual effective tax rate of 16.5% (2009: 16.5%) to the year ended 31 December 2010. 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 in the following note.

(iii) Zhongyue Posco, being a foreign investment enterprise established in the PRC before the New Tax Law was passed on 16 March 2007, 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 any prior years. The provision for 2010 is calculated by applying the tax rate of 11%, being 50% of the transitional tax rate of 22%, to the taxable profit for the current year.

(iv) This represents reversal of an over-provision for PRC income tax in respect of the 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 at 31 December 2009, as the Company controlled the dividend policy of the PRC subsidiaries and it had determined that the profits of the PRC subsidiaries would not be distributed in the foreseeable future, no provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries was made.

During the current year, the Company has re-assessed the timing of the distribution of profits from the PRC subsidiaries and determined that they would be distributed in the foreseeable future. Accordingly, a provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries from 1 January 2008 to 31 December 2010 has been made as at 31 December 2010.

8. Dividends

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

	2010	*2009*
	$'000	$'000
Interim dividend declared and paid of 3.0 cents per ordinary share (2009: 1.5 cents per ordinary share)	**27,178**	13,586
Final dividend proposed after the balance sheet date of 2.0 cents per ordinary share (2009: 3.0 cents per ordinary share)	**18,118**	27,178
	45,296	40,764

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

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

	2010	*2009*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents per ordinary share (2009: 1.5 cents per ordinary share)	**27,178**	13,584

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 $202,920,000 (2009: $180,724,000) and the weighted average number of 905,855,000 (2009: 905,635,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	*2009*
	'000	'000
Issued ordinary shares at 1 January	**905,723**	905,603
Effect of share options exercised	**132**	32
Weighted average number of ordinary shares	**905,855**	905,635

9. 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 $202,920,000 (2009: $180,724,000) and the weighted average number of ordinary shares of 906,541,000 (2009: 907,642,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010	*2009*
	'000	'000
Weighted average number of ordinary shares used in the basic earnings per share calculation	**905,855**	905,635
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration	**686**	2,007
Weighted average number of ordinary shares (diluted)	**906,541**	907,642

10. Fixed Assets

(a) Acquisitions

During the year, the Group acquired items of property, plant and equipment with a cost of $33,756,000 (2009: $39,440,000).

(b) Investment properties

Investment properties of the Group and the Company situated in Hong Kong with an aggregate value of $104,500,000 (2009: $95,885,000) were revalued at 31 December 2010 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 $191,332,000 (2009: $186,535,000) were revalued at 31 December 2010 by either 廣東財興資產評估土地房地產估價有限公司 or 秦皇島求實資產評估事務所, independent firms of valuers registered in the PRC, on an open market value basis.

As at 31 December 2009, investment properties in Hong Kong were pledged to secure the bank loans of $160,000,000, which were fully repaid in December 2010. As at 31 December 2010, the legal process to release the pledge of the investment properties had not been completed (note 15(a)(iii)).

(c) Impairment losses

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

11. Inventories

Inventories in the consolidated balance sheet comprise:

	2010	*2009*
	$'000	$'000
Raw materials, spare parts and consumables	**168,659**	104,405
Work in progress	**20,827**	14,980
Finished goods	**136,207**	81,033
	325,693	200,418

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:

	2010	*2009*
	$'000	$'000
Current	**435,395**	381,291
Less than 1 month past due	**4,461**	799
1 to 3 months past due	**2,596**	1,557
More than 3 months but less than 12 months past due	**365**	827
Amounts past due	**7,422**	3,183
	442,817	384,474

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

13. Cash and cash equivalents

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

	2010	*2009*
	$'000	$'000
Deposits with banks	**294,813**	237,578
Cash at bank and in hand	**295,009**	143,383
Cash and cash equivalents in the consolidated balance sheet	**589,822**	380,961
Pledged bank deposits	**(295,083)**	(246,018)
	294,739	134,943

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:

	2010	*2009*
	$'000	$'000
Due within 1 month or on demand	**135,423**	108,475

15. Borrowings

	Note	***2010*** **$'000**	*2009* $'000
(a) Bank loans			
- unsecured	(i), (iv)	**218,987**	-
- secured by bank deposits	(ii)	**276,885**	230,940
- secured by investment properties	(iii), (iv)	**-**	160,000
		495,872	390,940

At 31 December 2010, the bank loans were repayable as follows:

	2010	*2009*
	$'000	$'000
Within 1 year or on demand	**335,872**	230,940
After 1 year but within 2 years	**160,000**	160,000
	495,872	390,940

15. Borrowings (Continued)

(a) Bank loans (Continued)

Notes:

(i) Included in unsecured bank loans are loans of $160,000,000 (2009: $Nil) which are guaranteed by the Company and subject to fulfilment of certain loan covenants (note 15(a)(iv)).

(ii) The loans are secured by bank deposits of $294,813,000 (2009: $233,035,000).

(iii) As at 31 December 2009, the loans were guaranteed by the Company which also provided the investment properties situated in Hong Kong with a carrying value of $95,885,000 as collateral.

The loans were repaid in December 2010 and as at 31 December 2010, the legal process to release the pledge of the investment properties had not been completed.

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

Further, the loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2010, 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 (2009: $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 (2009: $Nil).

	2010	*2009*
	$'000	$'000
(b) Loans from a related company	**79,560**	79,560

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") + 1% (2009: 3-month LIBOR+2%) and repayable on either 7 September 2011 or 14 October 2011. The Group also provided loans of $154,440,000 (2009: $154,440,000) to this non-wholly owned subsidiary in proportion to the Group's shareholding therein.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Dividend

The Board resolved to make the payment of an interim dividend of HK 3.0 cents per share (2009 : HK 1.5 cents) and recommend the payment of a final dividend of HK 2.0 cents per share (2009 : HK 3.0 cents) for the year ended 31 December 2010. The proposed final dividend, if approved at the 2011 Annual General Meeting of the Company, is expected to be paid on Monday, 27 June 2011 to the shareholders whose names appear on the register of members of the Company on Tuesday, 31 May 2011.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 27 May 2011 to Tuesday, 31 May 2011, 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 Thursday, 26 May 2011.

Corporate Governance Practices

In the opinion of the directors of the Company, 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 2010.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2010 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, 24 March 2011

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