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 2011

Financial highlights for the year ended 31 December

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

CHAIRMAN'S STATEMENT

I am pleased to report to the shareholders that Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK$213,155,000 in 2011, representing an increase of 5.0% compared with HK$202,920,000 in 2010. The basic earnings per share was HK 23.5 cents, representing an increase of 4.9% from HK 22.4 cents in 2010.

Dividend

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

Review

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

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

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

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

Prospects

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

Liang Jiang
Chairman

Hong Kong, 22 March 2012

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

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

Fresh and Live Foodstuffs

Guangnan Hong Company Limited ("Guangnan Hong") is a wholly-owned subsidiary of the Company. Guangnan Hong holds a 51% interest in Guangnan Live Pigs Trading Limited, a 19.53% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu", formerly known as Hubei Liangyou Livestock and Poultry Co., Ltd.), and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. ("Guangdong Baojin").

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

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

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

Property Leasing

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

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

Yellow Dragon

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

FINANCIAL POSITION

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

Liquidity and Financial Resources

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

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

As at 31 December 2011, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was 2.8% (2010: -0.8%).

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

Capital Expenditure

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

Charges on Assets

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

Exchange Rate and Interest Rate Exposures

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had a total of 1,222 full-time employees, an increase of 73 from the end of 2010. 176 of the employees were based in Hong Kong and 1,046 were in mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance with reference to the prevailing industry practices. In 2011, the Group continued to implement controls over the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, a performance bonus for various profit rankings was paid on the basis of net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted a share option scheme to encourage excellent participants to continue their contribution to the Group.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2011

The Board announces the consolidated results of the Group for the year ended 31 December 2011, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	***2011*** **$'000**	*2010* $'000
Turnover	3	**3,404,115**	2,870,206
Cost of sales		**(3,092,725)**	(2,508,669)
Gross profit		**311,390**	361,537
Other revenue	4	**15,426**	19,799
Other net income	5	**59,308**	31,167
Distribution costs		**(69,919)**	(60,328)
Administrative expenses		**(98,633)**	(92,348)
Other operating expenses		**(2,535)**	(16,555)
Profit from operations		**215,037**	243,272
Net valuation gains on investment properties	10(b)	**28,747**	6,634
Finance costs	6(a)	**(11,675)**	(8,654)
Share of profits of associates		**33,018**	27,144
Profit before taxation	6	**265,127**	268,396
Income tax	7	**(33,400)**	(49,760)
Profit for the year		**231,727**	218,636
Attributable to:			
Equity shareholders of the Company		**213,155**	202,920
Non-controlling interests		**18,572**	15,716
Profit for the year		**231,727**	218,636
Dividends payable to equity shareholders of the Company attributable to the year:	8(a)		
Interim dividend declared and paid during the year		**22,682**	27,178
Final dividend proposed after the balance sheet date		**22,682**	18,118
		45,364	45,296
Earnings per share			
Basic	9(a)	**23.5 cents**	22.4 cents
Diluted	9(b)	**23.5 cents**	22.4 cents

Consolidated Balance Sheet
At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	***2011*** **$'000**	*2010* $'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	**334,136**	295,832
- Other property, plant and equipment		**803,576**	825,123
- Interests in leasehold land held for own use under operating leases		**112,120**	109,884
	10	**1,249,832**	1,230,839
Interest in associates		**299,259**	214,724
Deferred tax assets		**3,914**	3,749
		1,553,005	1,449,312
Current assets			
Inventories	11	**368,536**	325,693
Trade and other receivables, deposits and prepayments	12	**769,312**	529,080
Current tax recoverable		**876**	644
Cash and cash equivalents	13	**431,242**	589,822
		1,569,966	1,445,239
Current liabilities			
Trade and other payables	14	**361,626**	302,009
Bank loans	15(a)	**408,056**	335,872
Loans from a related company	15(b)	**79,560**	79,560
Current tax payable		**21,399**	33,188
		870,641	750,629
Net current assets		**699,325**	694,610
Total assets less current liabilities		**2,252,330**	2,143,922
Non-current liabilities			
Bank loans	15(a)	**-**	160,000
Deferred tax liabilities		**39,626**	44,600
		39,626	204,600
Net assets		**2,212,704**	1,939,322
Capital and reserves			
Share capital		**453,647**	452,962
Reserves		**1,588,069**	1,338,034
Total equity attributable to equity shareholders of the Company		**2,041,716**	1,790,996
Non-controlling interests		**170,988**	148,326
Total equity		**2,212,704**	1,939,322

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 2011, 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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)

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

The impacts of the developments are discussed below:

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

- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. These amendments do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements in the current and previous periods.

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.

- Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for 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 and current assets with the exception of interest in associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

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

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

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

	2011	*2010*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers	**219,820**	258,594
Unallocated head office and corporate income and expenses	**3,107**	(15,322)
Net valuation gains on investment properties	**28,747**	6,634
Finance costs	**(11,675)**	(8,654)
Share of profit of associate not attributable to any segment	**25,128**	27,144
Consolidated profit before taxation	**265,127**	268,396

3. Turnover and segment reporting (Continued)

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

	2011	*2010*
	$'000	$'000
Assets		
Reportable segment assets	**2,887,603**	2,676,515
Interest in associate not attributable to any segment	**228,213**	214,724
Unallocated head office and corporate assets	**7,155**	3,312
Consolidated total assets	**3,122,971**	2,894,551
Liabilities		
Reportable segment liabilities	**897,632**	916,064
Unallocated head office and corporate liabilities	**12,635**	39,165
Consolidated total liabilities	**910,267**	955,229

(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 associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, and the location of operations, in the case of interest in associates.

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

4. Other revenue

	2011	*2010*
	$'000	$'000
Interest income	**8,906**	11,909
Subsidies received	**1,609**	1,804
Others	**4,911**	6,086
	15,426	19,799

5. Other net income

	2011	*2010*
	$'000	$'000
Net realised and unrealised exchange gain	**37,154**	27,956
Net loss on forward foreign exchange contracts	**(6,550)**	(1,305)
Write back of liabilities (note)	**28,658**	4,810
Net loss on disposal of fixed assets	**(429)**	(294)
Excess of the Group's interest in the acquirees' net fair value of identifiable assets and liabilities over the costs of acquisition	**475**	-
	59,308	31,167

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

6. Profit before taxation

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

	2011	*2010*
	$'000	$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within 5 years	**10,647**	6,975
Interest on loans from a related company	**1,028**	1,679
	11,675	8,654
(b) Staff costs		
Net contributions paid to defined contribution retirement plans	**8,673**	7,164
Equity-settled share-based payment expenses	**2,100**	1,493
Salaries, wages and other benefits	**125,672**	105,898
	136,445	114,555

6. Profit before taxation (Continued)

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

	2011	*2010*
	$'000	$'000
(c) Other items		
Cost of inventories sold (note)	**3,071,169**	2,487,742
Auditors' remuneration	**4,846**	3,626
Depreciation	**81,721**	83,763
Amortisation of land lease premium	**3,143**	3,026
Impairment losses on trade receivables	**144**	-
Reversal of impairment losses on trade receivables	**-**	(256)
Write-down of inventories	**11,782**	13,928
Impairment losses on fixed assets	**-**	14,704
Operating lease charges in respect of property rentals	**6,717**	5,506
Rentals receivable from investment properties less direct outgoings of $2,322,000 (2010: $2,111,000)	**(25,268)**	(24,825)

Note: Cost of inventories sold includes $146,950,000 (2010: $133,515,000) relating to the write-down of inventories, staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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

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

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

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

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

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

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

8. Dividends

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

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

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

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

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

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

Weighted average number of ordinary shares

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

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 $213,155,000 (2010: $202,920,000) and the weighted average number of ordinary shares of 907,606,000 (2010: 906,541,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

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

10. Fixed Assets

(a) Acquisitions

During the year, the Group acquired items of property, plant and equipment with a cost of $22,633,000 (2010: $33,756,000).

(b) Investment properties

Investment properties of the Group and the Company situated in Hong Kong with an aggregate value of $130,400,000 (2010: $104,500,000) were revalued at 31 December 2011 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their staff members of Hong Kong Institute of Surveyors, on an open market value basis. Investment properties of the Group situated in the PRC totalling $203,736,000 (2010: $191,332,000) were revalued at 31 December 2011 by either 廣東財興資產評估土地房地產估價有限公司 or 秦皇島正揚資產評估事務所, independent firms of valuers registered in the PRC, on an open market value basis.

(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 selling prices for similar assets within the same industry.

11. Inventories

Inventories in the consolidated balance sheet comprise:

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

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:

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

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

13. Cash and cash equivalents

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

	2011	*2010*
	$'000	$'000
Deposits with banks	**258,878**	294,813
Cash at bank and in hand	**172,364**	295,009
Cash and cash equivalents in the consolidated balance sheet	**431,242**	589,822
Pledged bank deposits	**(221,429)**	(295,083)
	209,813	294,739

14. Trade and other payables

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

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

15. Borrowings

		2011	*2010*
	Note	**$'000**	$'000
(a) Bank loans			
- unsecured	(i)	**211,951**	218,987
- secured by bills receivable	(ii)	**5,031**	-
- secured by bank deposits	(iii)	**191,074**	276,885
		408,056	495,872

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

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

15. Borrowings (Continued)

(a) Bank loans (Continued)

Notes:

(i) Included in unsecured bank loans are loans of $160,000,000 (2010: $160,000,000) which are guaranteed by the Company and subject to fulfilment of certain loan covenants (note 15(a)(iv)).

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

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

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

Further, the loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2011, 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 (2010: $160,000,000). The Company has not recognised any deferred income in respect of the guarantee as the fair value of such guarantee cannot be reliably measured and the transaction price was $Nil (2010: $Nil).

	2011	*2010*
	$'000	$'000
(b) Loans from a related company	**79,560**	79,560

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") + 0.9% (2010: 3-month LIBOR+1%) and repayable on either 8 September 2012 or 21 September 2012. The Group also provided loans of $154,440,000 (2010: $154,440,000) to this non-wholly owned subsidiary in proportion to the Group's shareholding therein.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Dividend

An interim dividend of HK 2.5 cents (2010 : HK 3.0 cents) per share was paid on 27 October 2011. The Board recommends the payment of a final dividend of HK 2.5 cents (2010 : HK 2.0 cents) per share for the year ended 31 December 2011. The proposed final dividend, if approved at the 2012 Annual General Meeting ("AGM") of the Company, is expected to be paid on Wednesday, 27 June 2012 to the shareholders whose names appear on the register of members of the Company on Friday, 1 June 2012.

Closure of Register of Members

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

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

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

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 2011.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2011 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, 22 March 2012

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.