GDH

GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

Unaudited financial highlights for the six months ended 30 June

	2014	2013	
	HK$'000	HK$'000	Changes
Turnover	**1,744,657**	1,837,225	-5.0%
Profit from operations	**78,047**	89,643	-12.9%
Profit attributable to shareholders	**66,563**	76,755	-13.3%
Earnings per share – Basic	**HK 7.3 cents**	HK 8.5 cents	-14.1%
Interim dividend per share	**HK 2.0 cents**	HK 2.0 cents	-

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS, PROSPECTS AND OTHER INFORMATION

RESULTS

For the first half of 2014, the unaudited consolidated profit attributable to shareholders was HK$66,563,000, representing a decrease of 13.3% from HK$76,755,000 for the corresponding period last year. Basic earnings per share was HK7.3 cents, a decrease of 14.1% from HK8.5 cents for the corresponding period last year.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for the six months ended 30 June 2014 of HK2.0 cents per share (six months ended 30 June 2013: HK2.0 cents per share).

BUSINESS REVIEW

In the first half of 2014, all major business segments of the Group recorded a decrease in both turnover and profit. The Group's consolidated turnover was HK$1,744,657,000, representing a decrease of HK$92,568,000 or 5.0% from HK$1,837,225,000 for the corresponding period last year. Profit from operations was HK$78,047,000, representing a decrease of HK$11,596,000 or 12.9% from HK$89,643,000 for the corresponding period last year.

In respect of our tinplating business, with more new tinplating production lines operated by other companies in Mainland China commencing production, the excess supply over demand in the iron and steel industry and intense competition, all these placed pressure on the sales of tinplate products and the selling price of tinplate products decreased during the current period. As the rate of decrease in the cost of raw materials was more than that in the selling price of tinplate products, gross profit for the period increased as compared to that in the corresponding period last year. However, due to the depreciation of Renminbi against the Hong Kong Dollar and the United States Dollar during the current period, an exchange loss was recorded for the period. Hence, profit of the Group's tinplating business decreased as compared to that in the corresponding period last year.

As to the fresh and live foodstuffs business, the turnover of the fresh and live foodstuffs business recorded a decrease, mainly due to the impact of avian flu on our distribution and sales of live poultry business resulting in the suspension of import of live poultry into Hong Kong during the current period. Given the devoted efforts of our operation team and premium quality sources of goods from major suppliers, the Group actively maintained the market supply and the overall market share in the live pigs supply into Hong Kong remained at about 46%. This provided a relatively steady contribution to the earnings of the Group.

In respect of the property leasing business, in line with the increase in the valuation of office units in Hong Kong in the first half of 2014, net valuation gains on investment properties of HK$22,930,000 (2013: HK$13,448,000) were recorded by the Group.

For the associates, as a result of the sluggish demand and decrease in selling price of the major products, corn starch, of Yellow Dragon Food Industry Co., Ltd., an associate of the Group, marginal profit for the period was recorded. On the other hand, the decrease in the price of live pigs led to losses being incurred by the two associates which are engaged in pig farming and sales of pigs.

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., 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 the first half of 2014, the Group produced 196,494 tonnes of tinplate products, which represented a decrease of 1.9% as compared to that in the corresponding period last year. Zhongyue Tinplate and Zhongyue Posco produced 109,585 tonnes and 86,909 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 66,627 tonnes of blackplates, a decrease of 10.3% as compared to that in the corresponding period last year, 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 197,071 tonnes of tinplate products, a decrease of 0.9% as compared to that in the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 111,195 tonnes and 85,876 tonnes respectively, an increase of 4.3% and a decrease of 6.9% respectively as compared to that in the corresponding period last year. Turnover was HK$1,582,572,000, a decrease of 4.9% as compared to the corresponding period last year and profit was HK$33,714,000, a decrease of HK$11,042,000 or 24.7% as compared to that in the corresponding period last year. The tinplating business accounted for 90.7% and 43.2% of the Group's turnover and profit from operations respectively.

In the first half of 2014, with more new tinplating production lines operated by other companies in Mainland China commencing production, the excess supply over demand in the iron and steel industry and intense competition, all these placed pressure on the sales of tinplate products and the selling price of tinplate products decreased during the current period. As the rate of decrease in the cost of raw materials was more than that in the selling price of tinplate products, gross profit for the period increased as compared to that in the corresponding period last year. However, due to the depreciation of Renminbi against the Hong Kong Dollar and the United States Dollar during the current period, an exchange loss was recorded for the period. Hence, profit of the Group's tinplating business decreased as compared to that in the corresponding period last year. Through the pursuit of more flexible payment methods with its suppliers, the Group successfully increased liquidity of its working capital and bank deposits. Interest income was significantly increased accordingly. Sales volume was also stabilised by capitalising on the favourable position in capital management, adopting selling price more comparable to the market rate and adopting effective control in trade receivables' management. The Group continued the implementation of full budgetary control, strengthening of the internal control and improving its human resources management system by streamlining human resources, improving efficiency and optimising performance management. It also promoted energy saving, waste reduction and efficiency optimisation. All these in turn mitigated the pressure on the Group regarding the decrease in the selling price of tinplate products and the surge in various operating costs. During the period, Zhongyue Tinplate passed the Food Safety System Certification (FSSC 22000), incubating new strengths for our business of metallic packaging for food.

Tinplating (Continued)

As the tinplating factory in Zhongshan is operating at full capacity, in order to accelerate the transformation and upgrade of our business, the Group re-occupied certain plants in our factory area in Zhongshan, which were previously let out, to construct a new tinplating production line with an annual production capacity of 150,000 tonnes, together with expansion of the relevant coating and printing production lines. Besides, Zhongyue Posco is also acquiring coating and printing production lines. It is estimated that the total investment cost of these production lines will be approximately RMB265 million (equivalent to approximately HK$334 million). These new production lines will enable the Group to improve the standard of production equipment and product quality and refine the product mix. It will also facilitate the development of new products and strengthen our core competitiveness. It is expected that these coating and printing production lines will commence operation consecutively in the second half of 2014, while the new tinplating production line will commence operation in early 2015. By that time, the annual production capacity of tinplate products, blackplates, and coated and printed tinplates of the Group's factories in northern and southern China will become 620,000 tonnes, 150,000 tonnes and 100,000 tonnes respectively.

Fresh and Live Foodstuffs

Guangnan Hong Company Limited ("Guangnan Hong") is a wholly-owned subsidiary of the Company. Guangnan Hong holds a 51% interest in Guangnan Live Pigs Trading Limited, a 16.12% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. ("Hubei Jinxu") and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. ("Guangdong Baojin"). In July 2014, the shares of Hubei Jinxu were listed on the National Equities Exchange and Quotations in Mainland China.

In the first half of 2014, the turnover of the fresh and live foodstuffs business amounted to HK$150,775,000, representing a decrease of 5.6% as compared to that in the corresponding period last year. Together with the share of losses of two associates, namely Hubei Jinxu and Guangdong Baojin, of HK$8,318,000, the total profit was HK$34,495,000, representing a decrease of HK$8,047,000 or 18.9% as compared to that in the corresponding period last year. Turnover decreased mainly due to the impact of avian flu on our distribution and sales of live poultry business resulting in the suspension of import of live poultry into Hong Kong during the current period. On the other hand, the decrease in the price of live pigs led to losses being incurred by the two associates, which are engaged in pig farming and sales of pigs. 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 maintained the market supply. The overall market share in the live pigs supply into Hong Kong was about 46%. This provided a relatively steady contribution to the earnings of the Group.

Property Leasing

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

In the first half of 2014, turnover from the property leasing business of the Group was HK$11,310,000, a decrease of 15.2% as compared to that in the corresponding period last year. Profit amounted to HK$7,641,000, a decrease of 5.9% as compared to that in the corresponding period last year. In addition, along with the increase in the valuation of office units in Hong Kong in the first half of 2014, net valuation gains on investment properties of HK$22,930,000 (2013: HK$13,448,000) were recorded by the Group.

Yellow Dragon

The Group holds a 40% interest in Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon").

In the first half of 2014, Yellow Dragon recorded a sales volume of 181,554 tonnes in its major product, corn starch, representing a decrease of 13.8% as compared to that the corresponding period last year. Turnover was HK$904,262,000, a decrease of 11.8% as compared to that in the corresponding period last year. As a result of the sluggish demand and decrease in selling price of the major product, marginal profit for the period was recorded. Profit attributable to the shareholders was HK$1,284,000 (2013: HK$3,361,000).

FINANCIAL POSITION

As at 30 June 2014, the Group's total assets and total liabilities amounted to HK$3,720,237,000 and HK$1,183,869,000, representing an increase of HK$414,263,000 and HK$380,341,000 respectively when compared with the positions at the end of 2013. Net current assets increased from HK$1,011,345,000 at the end of 2013 to HK$1,425,840,000. The current ratio (current assets divided by current liabilities) also increased from 2.3 as at the end of 2013 to 2.9.

Liquidity and Financial Resources

As at 30 June 2014, the Group's cash and cash equivalents balance was HK$1,031,402,000, of which HK$857,605,000 was denominated in Renminbi and HK$76,631,000 was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. Cash and cash equivalents balance increased by 54.2% from the end of 2013, mainly from the proceeds of new loans.

As at 30 June 2014, the Group's borrowings comprised 1) unsecured bank borrowings of HK$505,126,000 (31 December 2013: HK$172,523,000); and 2) loans from a related company of HK$79,560,000 (31 December 2013: HK$79,560,000). 68.4% (31 December 2013: 63.5%) of the Group's borrowings was guaranteed by the Company. As at 30 June 2014, 31.6% of the Group's borrowings was repayable within 1 year and the remaining balance was repayable within 2 years while as at 31 December 2013, all of the Group's borrowings were repayable within 1 year. All borrowings were subject to annual interest rates ranging from 1.65% to 2.28% (31 December 2013: 1.74% to 2.16%) per annum. 82.0% (31 December 2013: 95.0%) of the Group's borrowings bear interest at floating rates. Management closely monitors the changes in market interest rates.

Liquidity and Financial Resources (Continued)

As at 30 June 2014, 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 -19.1% (31 December 2013: -18.1%).

In January 2014, the Group entered into a facility agreement (the "Facility Agreement") with Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited. In accordance with the Facility Agreement, the Group was granted a two-year term loan facility with a maximum amount of HK$400,000,000 for the purpose of general corporate financing requirements. The above-mentioned facility was fully drawn, and the Group's former bank loan of HK$160,000,000, which matured in June 2014, was early repaid in full during the current period.

As at 30 June 2014, the Group's available banking facilities amounted to HK$684,526,000, of which HK$541,212,000 was utilised and HK$143,314,000 was unutilised. 58.4% 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, are sufficient to meet the Group's debt obligations and business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2014 amounted to HK$42,366,000 (2013: HK$9,570,000). Capital commitments outstanding at 30 June 2014 not provided for in the financial statements amounted to HK$247,205,000 (31 December 2013: HK$254,599,000), mainly for the construction of a new tinplating production line and the coating and printing production lines. It is expected that the capital expenditure for the year 2014 will be approximately HK$230 million.

Acquisitions and Disposals of Investments

During the first half of 2014, the Group had no material acquisitions and disposals of investments.

Charge on Assets

As at 30 June 2014, none of the assets of the Group was pledged.

Contingent liabilities

In 2013, a third party in Mainland China filed a claim against a subsidiary of the Group in the Court of Zhongshan City to recover an outstanding trade debt of approximately RMB2,060,000 (equivalent to HK$2,595,000) and a penalty of approximately RMB4,962,000 (equivalent to HK$6,251,000) for non-payment. According to the judgement made by the Court of Zhongshan City in May 2014, the subsidiary is required to repay the above trade debt and the related penalty. The subsidiary submitted an appeal in June 2014 to the High Court of Guangdong Province. Currently, the court appeal proceedings are still in progress.

In prior years, this same third party had also filed claims in respect of the same matter and had won the case, but the claims were finally denied by court. Based on the information currently available and a legal opinion obtained, the Group considers that the subsidiary has a considerable prospect of success in the above litigation. Accordingly, no provision was made in respect of this claim.

Except for the abovementioned matter, the Group had no material contingent liabilities as at 30 June 2014.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations are in Hong Kong and Mainland China. The Group is exposed to foreign currency risk primarily from 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 30 June 2014, forward foreign exchange contracts of RMB138,308,000 (equivalent to HK$174,240,000) against United States Dollar were entered into by the Group to hedge against currency risks in respect of export sales. As at 31 December 2013, forward foreign exchange contracts equivalent to HK$232,954,000 in total were entered into by the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a total of 1,196 full-time employees, a decrease of 40 from the end of 2013. 191 of the employees were based in Hong Kong and 1,005 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 2014, the Group continued to implement control on the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for management remained effective. Through performance assessment of each subsidiary, a performance bonus was accrued according to various profit rankings and with reference to net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted share option schemes to encourage excellent participants to continue their contribution to the Group.

PROSPECTS

Currently, the recovery of the European and US economies is slow, while the economic growth rate in Mainland China reduced slightly. With more new tinplating production lines operated by other companies in Mainland China commencing production, there is pressure on the sales of tinplate products and there will be certain challenges in the operating environment in future. Although Renminbi depreciated against the United States Dollars at the beginning of this year, it began to stabilise in recent months. It is expected to continue to fluctuate in dual directions and will have an impact on the Group's earnings. In respect of the tinplating business, the Group will strive to increase production and sales volume and achieve economies of scale. Meanwhile, we will also actively transform and upgrade our business and start a new round of development. The Group is constructing a new tinplating production line with an annual production capacity of 150,000 tonnes, and acquiring coating and printing production lines, in order to improve the standard of production equipment and product quality and to strengthen our core competitiveness. It is expected that these coating and printing production lines will commence operation consecutively in the second half of 2014, while the new tinplating production line will commence operation in early 2015. As to the fresh and live foodstuffs business, in order to further improve our quality services, we will consolidate and develop our business chain operation, continue to explore new and stable sources of supply for live pigs and ensure market supply. By leveraging on our sound financial position and abundant capital resources, we will continue to explore and capture various opportunities for development and strategic cooperation so as to promote the business of the Group to a new level.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2014, which have been reviewed by the Company’s audit committee.

Consolidated Income Statement
For the six months ended 30 June 2014 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2014	*2013*
	Note	**$'000**	$'000
Turnover	3	**1,744,657**	1,837,225
Cost of sales		**(1,570,856)**	(1,671,888)
Gross profit		**173,801**	165,337
Other revenue	4	**15,333**	7,499
Other net (loss)/income	5	**(14,486)**	11,706
Distribution costs		**(41,310)**	(38,126)
Administrative expenses		**(55,058)**	(56,504)
Other operating expenses		**(233)**	(269)
Profit from operations		**78,047**	89,643
Net valuation gains on investment properties	10(b)	**22,930**	13,448
Finance costs	6(a)	**(4,310)**	(2,886)
Share of profits less losses of associates		**(7,804)**	(1,465)
Profit before taxation	6	**88,863**	98,740
Income tax	7	**(17,109)**	(13,427)
Profit for the period		**71,754**	85,313
Attributable to:			
Equity shareholders of the Company		**66,563**	76,755
Non-controlling interests		**5,191**	8,558
Profit for the period		**71,754**	85,313
Interim dividend	8(a)	**18,146**	18,146
Earnings per share			
Basic	9(a)	**7.3 cents**	8.5 cents
Diluted	9(b)	**7.3 cents**	8.5 cents

Consolidated Balance Sheet at 30 June 2014

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2014* **Unaudited** **$'000**	*At 31 December 2013* Audited $'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	**367,565**	381,147
- Other property, plant and equipment		**733,568**	721,938
- Interests in leasehold land held for own use under operating leases		**127,499**	118,224
	10	**1,228,632**	1,221,309
Interest in associates		**284,560**	296,205
Deposits and prepayments		**36,196**	13,354
Deferred tax assets		**4,946**	4,943
		1,554,334	1,535,811
Current assets			
Inventories	11	**476,951**	418,106
Trade and other receivables, deposits and prepayments	12	**657,550**	682,568
Current tax recoverable		**-**	517
Cash and cash equivalents	13	**1,031,402**	668,972
		2,165,903	1,770,163
Current liabilities			
Trade and other payables	14	**508,690**	472,835
Bank loans	15(a)	**105,126**	172,523
Loans from a related company	15(b)	**79,560**	79,560
Current tax payable		**46,687**	33,900
		740,063	758,818
Net current assets		**1,425,840**	1,011,345
Total assets less current liabilities		**2,980,174**	2,547,156
Non-current liabilities			
Bank loans	15(a)	**400,000**	-
Deferred tax liabilities		**43,806**	44,710
		443,806	44,710
Net assets		**2,536,368**	2,502,446
Capital and reserves			
Share capital: nominal value		**-**	453,647
Other statutory capital reserves		**-**	5,419
Share capital and other statutory capital reserves		**459,066**	459,066
Other reserves		**1,881,543**	1,848,598
Total equity attributable to equity shareholders of the Company		**2,340,609**	2,307,664
Non-controlling interests		**195,759**	194,782
Total equity		**2,536,368**	2,502,446

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2014 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

These developments have had no material impact on the Group's financial statements.

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

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

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 period is set out below:

For the six months ended 30 June	*Tinplating*		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment revenue	**1,582,572**	1,664,145	**150,775**	159,737	**11,310**	13,343	**1,744,657**	1,837,225
Reportable segment profit	**33,714**	44,756	**34,495**	42,542	**7,641**	8,118	**75,850**	95,416
As at 30 June / 31 December								
Reportable segment assets (including interest in associates)	**2,893,344**	2,464,291	**240,648**	241,468	**368,335**	382,116	**3,502,327**	3,087,875
Reportable segment liabilities	**1,111,485**	722,635	**23,561**	24,755	**40,377**	44,898	**1,175,423**	792,288

3. Turnover and segment reporting (Continued)

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

	Six months ended 30 June	
	2014	*2013*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**75,850**	95,416
Unallocated head office and corporate income and expenses	**(6,121)**	(8,582)
Net valuation gains on investment properties	**22,930**	13,448
Finance costs	**(4,310)**	(2,886)
Share of profit of an associate not attributable to any segment	**514**	1,344
Consolidated profit before taxation	**88,863**	98,740

	At 30 June 2014	*At 31 December 2013*
	$'000	$'000
Assets		
Reportable segment assets	**3,502,327**	3,087,875
Interest in an associate not attributable to any segment	**212,909**	214,455
Unallocated head office and corporate assets	**5,001**	3,644
Consolidated total assets	**3,720,237**	3,305,974
Liabilities		
Reportable segment liabilities	**1,175,423**	792,288
Unallocated head office and corporate liabilities	**8,446**	11,240
Consolidated total liabilities	**1,183,869**	803,528

4. Other revenue

	Six months ended 30 June	
	2014	*2013*
	$'000	$'000
Interest income	**13,370**	6,508
Subsidies received	**407**	124
Others	**1,556**	867
	15,333	7,499

5. Other net (loss)/income

	Six months ended 30 June	
	2014	*2013*
	$'000	$'000
Net realised and unrealised exchange (loss)/gain	**(7,901)**	12,392
Net losses on forward foreign exchange contracts	**(5,106)**	-
Others	**(1,479)**	(686)
	(14,486)	11,706

6. Profit before taxation

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

	Six months ended 30 June	
	2014	*2013*
	$'000	$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within 5 years	**3,615**	2,072
Interest on loans from a related company	**695**	814
	4,310	2,886
(b) Staff costs:		
Net contributions to defined contribution retirement plans	**5,639**	4,926
Equity-settled share-based payment expenses	**166**	399
Salaries, wages and other benefits	**75,932**	78,204
	81,737	83,529
(c) Other items:		
Amortisation of land lease premium	**1,874**	1,773
Depreciation	**45,619**	45,157
Operating lease charges in respect of property rentals	**3,925**	3,776
Rentals receivable from investment properties less direct outgoings of $831,000 (30 June 2013: $1,301,000)	**(10,479)**	(12,042)

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	***Six months ended 30 June*** **2014** **$'000**	*2013* $'000
Current tax – Hong Kong			
Provision for the period		**5,611**	6,033
Current tax – the People's Republic of China (the "PRC")			
Provision for the period		**9,677**	7,649
Under/(over)-provision in respect of prior years		**2,361**	(652)
		12,038	6,997
Deferred tax			
Origination and reversal of temporary differences		**(540)**	397
	(i)	**17,109**	13,427

Notes:

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2013: 16.5%) to the six months ended 30 June 2014. Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.

(ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

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 interim period

	Six months ended 30 June **2014** **$'000**	*2013* $'000
Interim dividend declared and payable/paid after the period of 2.0 cents (30 June 2013: 2.0 cents) per ordinary share	**18,146**	18,146

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

8. Dividends (Continued)

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

	Six months ended 30 June	
	2014	*2013*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 2.0 cents (30 June 2013: 1.5 cents) per ordinary share	**18,146**	13,609

9. Earnings per share

(a) ***Basic earnings per share***

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of $66,563,000 (30 June 2013: $76,755,000) and the weighted average number of 907,293,000 (30 June 2013: 907,293,000) ordinary shares in issue during the period.

(b) ***Diluted earnings per share***

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of $66,563,000 (30 June 2013: $76,755,000) and the weighted average number of ordinary shares (diluted) of 907,293,000 (30 June 2013: 907,578,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2014	*2013*
	'000	'000
Weighted average number of ordinary shares at 30 June	**907,293**	907,293
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration	-	285
Weighted average number of ordinary shares (diluted) at 30 June	**907,293**	907,578

10. Fixed Assets

(a) ***Acquisitions and transfers***

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of $42,366,000 (30 June 2013: $9,570,000). Also, the Group transferred construction in progress with a carrying amount of $49,786,000 (30 June 2013: $6,688,000) to other property, plant and equipment upon completion.

10. Fixed Assets (Continued)

(a) Acquisitions and transfers (Continued)

During the six months ended 30 June 2014, a certain portion of investment properties situated in the PRC with a carrying amount of $34,599,000 (30 June 2013: $21,365,000) was transferred from investment properties to other property, plant and equipment due to change in use.

(b) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2014 by independent firms of surveyors Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Vigers Appraisal and Consulting Limited, using the same valuation techniques as were used by these valuers when carrying out the December 2013 valuations. As a result of the update, a net gain of $22,930,000 (30 June 2013: $13,448,000) and deferred tax expenses thereon of $Nil (30 June 2013: $7,000), have been recognised in profit or loss for the period.

11. Inventories

	At 30 June 2014 **$'000**	*At 31 December 2013* $'000
Raw materials, spare parts and consumables	**273,475**	215,759
Work in progress	**18,093**	9,712
Finished goods	**185,383**	192,635
	476,951	418,106

12. Trade and other receivables, deposits and prepayments

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

	At 30 June 2014 **$'000**	*At 31 December 2013* $'000
Within 1 month	**448,535**	616,337
1 to 3 months	**57,112**	6,282
Over 3 months	**5,820**	3,189
	511,467	625,808

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

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

13. Cash and cash equivalents

	At 30 June 2014 **$'000**	*At 31 December 2013* $'000
Deposits with banks	**19,488**	72,990
Cash at bank and in hand	**1,011,914**	595,982
Cash and cash equivalents in the consolidated balance sheet	**1,031,402**	668,972

14. Trade and other payables

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

	At 30 June 2014 **$'000**	*At 31 December 2013* $'000
Due within 1 month or on demand	**207,746**	114,185
Due after 1 month but within 3 months	**153,294**	192,012
	361,040	306,197

15. Borrowings

	At 30 June 2014 $'000	At 31 December 2013 $'000
(a) Bank loans		
- unsecured (note)	**505,126**	172,523

The bank loans were repayable as follows:

	At 30 June 2014 $'000	At 31 December 2013 $'000
Within 1 year or on demand	**105,126**	172,523
After 1 year but within 2 years	**400,000**	-
	505,126	172,523

Note: Included in unsecured bank loans is a loan of $400,000,000 (31 December 2013: $160,000,000) which is guaranteed by the Company. It is provided in the facility agreement for the loan of $400,000,000 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) effective management control over the Company, then the lenders are entitled to request immediate repayment of these outstanding loans and all accrued interest.

Furthermore, the bank loan is subject to fulfilment of certain loan covenants relating to certain of the Group's balance sheet and income statement ratios, as commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2014 and 31 December 2013, none of the covenants relating to the bank loan had been breached.

	At 30 June 2014 $'000	At 31 December 2013 $'000
(b) Loans from a related company	**79,560**	79,560

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") + 1.5% (31 December 2013: 3-month LIBOR + 1.5%) per annum and repayable within one year.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2014 save for provision A.6.7 of the CG Code as a Non-Executive Director was unable to attend the annual general meeting of the Company held on 5 June 2014 as he had other engagements.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2014, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on The Stock Exchange of Hong Kong Limited.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK 2.0 cents per share (six months ended 30 June 2013: HK 2.0 cents per share) for the six months ended 30 June 2014. The interim dividend will be paid on Tuesday, 28 October 2014 to the shareholders whose names appear on the register of members on Tuesday, 7 October 2014.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 6 October 2014 and Tuesday, 7 October 2014. During the period, no transfer of shares will be registered. In order to qualify for the interim 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, of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 3 October 2014.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2014. In addition, the Company’s external auditors, KPMG, have also reviewed the aforesaid unaudited interim financial report.

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 22 August 2014

As at the date of this announcement, the Board is composed of four Executive Directors, namely Messrs. Tan Yunbiao, Li Li, Luo Jianhua and Sung Hem Kuen; one Non-Executive Director, namely 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.