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GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

Unaudited financial highlights for the six months ended 30 June

	2015	2014	
	HK\$'000	HK\$'000	Change
Revenue	<u>1,371,697</u>	<u>1,744,657</u>	-21.4%
Profit from operations	<u>70,011</u>	<u>78,047</u>	-10.3%
Profit attributable to shareholders	<u>54,015</u>	<u>66,563</u>	-18.9%
Earnings per share – Basic	<u>HK 6.0 cents</u>	<u>HK 7.3 cents</u>	-17.8%
Interim dividend per share	<u>HK 2.0 cents</u>	<u>HK 2.0 cents</u>	-

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

RESULTS

For the first half of 2015, the unaudited consolidated profit attributable to shareholders was HK\$54,015,000, representing a decrease of 18.9% from HK\$66,563,000 for the corresponding period last year. Basic earnings per share was HK6.0 cents, a decrease of 17.8% from HK7.3 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 2015 of HK2.0 cents per share (2014: HK2.0 cents per share).

BUSINESS REVIEW

In the first half of 2015, the tinplating and property leasing businesses recorded a decrease in both revenue and profit, while there was growth in the fresh and live foodstuffs business. The Group’s consolidated revenue was HK\$1,371,697,000, representing a decrease of HK\$372,960,000 or 21.4% from HK\$1,744,657,000 for the corresponding period last year. Profit from operations was HK\$70,011,000, representing a decrease of HK\$8,036,000 or 10.3% from HK\$78,047,000 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 in recent years, the excess of supply over demand in the iron and steel industry and intense competition placed significant pressure on the sales of tinplate products. As the selling price and sales volume of tinplate products of the Group decreased during the current period, gross profit for the period decreased as compared to that for the corresponding period last year. However, an exchange gain was recorded during the period, as opposed to an exchange loss recorded for the corresponding period last year. This partly offset the impact of the decrease in gross profit mentioned above.

As to the fresh and live foodstuffs business, avian flu still had impact 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, the increase in the valuation of office units in Hong Kong slowed down in the first half of 2015 and net valuation gains on investment properties of HK\$500,000 (30 June 2014: HK\$22,930,000) were recorded by the Group.

For the associates, as a result of the increase in subsidy income from the government for the temporary storage and related processing of corn by Yellow Dragon Food Industry Co., Ltd., the profit for the period increased as compared to that for the corresponding period last year. On the other hand, after the price of live pigs decreased in the first quarter, it rebounded in the second quarter. This led to a decrease in the loss for the period of the two associates which are engaged in pig farming and sales of pigs, as compared to that for the corresponding period last year.

Tinplating

Zhongshan Zhongyue Tinplate Industrial Co., Ltd. (“Zhongyue Tinplate”) is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in a subsidiary, 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 Zhongyue Tinplate’s capacity, whereas 250,000 tonnes of tinplate products are from Zhongyue Posco’s capacity.

In the first half of 2015, the Group produced 170,853 tonnes of tinplate products, which represented a decrease of 13.0% as compared to that for the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 105,193 tonnes and 65,660 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 64,829 tonnes of blackplates, a decrease of 2.7% as compared to that for 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 166,646 tonnes of tinplate products, a decrease of 15.4% as compared to that for the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 99,314 tonnes and 67,332 tonnes respectively, a decrease of 10.7% and 21.6% respectively as compared to that for the corresponding period last year. The revenue for the period was HK\$1,206,792,000, a decrease of 23.7% as compared to the corresponding period last year and the segment profit was HK\$26,012,000, a decrease of HK\$7,702,000 or 22.8% as compared to that for the corresponding period last year. The revenue and segment profit of the tinplating business accounted for 88.0% and 37.2% of the Group’s revenue and profit from operations respectively.

With more new tinplating production lines operated by other companies in Mainland China commencing production in recent years and capturing market share by using selling prices lower than market rates, the excess of supply over demand in the iron and steel industry and intense competition placed significant pressure on the sales of tinplate products. As the selling price and sales volume of tinplate products of the Group decreased during the current period, gross profit for the period decreased as compared to that for the corresponding period last year. However, an exchange gain was recorded for the period, as opposed to an exchange loss recorded for the corresponding period last year. This partly offset the impact of the decrease in gross profit mentioned above. During the period, the Group negotiated with its suppliers more beneficial purchase prices for raw materials in order to mitigate the pressure on the Group regarding the decrease in the selling price of tinplate products. 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 significantly increased accordingly. Sales volume was also stabilised by capitalising on the favourable position in capital management, adopting selling prices more comparable to the market rate and adopting effective control in trade receivables’ management. The Group continued the implementation of the various measures of its human resources refining project by streamlining human resources, elevating efficiency and optimising performance management. It also established interdepartmental sales and marketing teams and promoted service transformation so as to enhance customer service. In addition, Zhongyue Tinplate upgraded its safety production standardisation level, which effectively protects the work safety of staff and improves production efficiency.

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 is constructing 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 also acquired 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\$336 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. These coating and printing production lines commenced operation consecutively by the end of 2014, while it is expected that the new tinplating production line will commence operation in the second half of 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 is expected to be 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 a subsidiary, Guangnan Live Pigs Trading Limited, a 15.45% (31 December 2014: 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 February 2015, Hubei Jinxu issued new shares to a new investor. After the issuance, the Group's equity interest in Hubei Jinxu was diluted from 16.12% to 15.45%.

In the first half of 2015, the revenue of the fresh and live foodstuffs business amounted to HK\$154,285,000, representing an increase of 2.3% as compared to that for the corresponding period last year. Together with the share of losses of two associates, Hubei Jinxu and Guangdong Baojin, of HK\$5,331,000, the segment profit was HK\$39,289,000, representing an increase of HK\$4,794,000 or 13.9% as compared to that for the corresponding period last year. Avian flu still had impact 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, after the price of live pigs decreased in the first quarter, it rebounded in the second quarter. This led to a decrease in the loss for the period of the two associates which are engaged in pig farming and sales of pigs, as compared to that for the corresponding period last year. 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 as a result. 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 2015, the revenue from the property leasing business of the Group was HK\$10,620,000, a decrease of 6.1% as compared to that for the corresponding period last year. The segment profit amounted to HK\$7,259,000, a decrease of 5.0% as compared to that for the corresponding period last year. In addition, the increase in the valuation of office units in Hong Kong slowed down in the first half of 2015 and net valuation gains on investment properties of HK\$500,000 (30 June 2014: HK\$22,930,000) were recorded by the Group.

Yellow Dragon

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

In the first half of 2015, Yellow Dragon recorded a sales volume of 185,519 tonnes in its major product, corn starch, representing an increase of 2.2% as compared to that for the corresponding period last year. The revenue was HK\$963,263,000, an increase of 6.5% as compared to that for the corresponding period last year. As a result of the increase in subsidy income from the government for the temporary storage and related processing of corn, the profit for the period increased as compared to that for the corresponding period last year. Profit attributable to the shareholders was HK\$9,409,000 (30 June 2014: HK\$1,284,000).

FINANCIAL POSITION

As at 30 June 2015, the Group's total assets and total liabilities amounted to HK\$3,659,497,000 and HK\$1,020,918,000, representing a decrease of HK\$19,307,000 and HK\$50,446,000 respectively when compared with the positions at the end of 2014. Net current assets decreased from HK\$1,460,331,000 at the end of 2014 to HK\$1,090,582,000. The current ratio (current assets divided by current liabilities) also decreased from 3.3 at the end of 2014 to 2.1.

Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and cash equivalents balance was HK\$1,232,492,000, representing an increase of 15.1% when compared with the position at the end of 2014, of which 88.7% was denominated in Renminbi, 3.1% was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. Interest income also increased from HK\$13,370,000 for the corresponding period last year by 61.0% to HK\$21,521,000 for the current period.

As at 30 June 2015, the Group's borrowings comprised 1) unsecured bank borrowings of HK\$498,075,000 (31 December 2014: HK\$549,344,000); and 2) loans from a related company of HK\$79,560,000 (31 December 2014: HK\$79,560,000), of which 71.3% was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. 69.2% (31 December 2014: 63.6%) of the Group's borrowings was guaranteed by the Company. As at 30 June 2015, all of the Group's borrowings were repayable within 1 year, while as at 31 December 2014, 36.4% 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 0.83% to 1.69% (31 December 2014: 1.25% to 1.67%) per annum. 83.0% (31 December 2014: 76.3%) of the Group's borrowings bear interest at floating rates.

Liquidity and Financial Resources (Continued)

As at 30 June 2015, 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 -26.8% (31 December 2014: -18.3%).

As at 30 June 2015, the Group's available banking facilities amounted to HK\$739,923,000, of which HK\$527,912,000 was utilised and HK\$212,011,000 was unutilised. 54.1% of the Group's banking facilities was guaranteed by the Company. Currently, the Group's cash reserves and available banking facilities, as well as its steady cash flow from operations, are sufficient to meet its debt obligations and business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2015 amounted to HK\$34,792,000 (30 June 2014: HK\$42,366,000). Capital commitments outstanding at 30 June 2015 not provided for in the financial statements amounted to HK\$122,244,000 (31 December 2014: HK\$183,540,000), mainly for the construction of a new tinplating production line in Zhongshan. It is expected that the capital expenditure for the year 2015 will be approximately HK\$110 million.

Acquisitions and Disposals of Investments

In February 2015, Hubei Jinxu issued new shares to a new investor. After the issuance, the Group's equity interest in Hubei Jinxu was diluted from 16.12% to 15.45%, which resulted in a gain on deemed disposal of interest in an associate of HK\$1,314,000.

Except for the abovementioned matter, the Group had no material acquisitions and disposals of investments during the first half of 2015.

Pledge of Assets

As at 30 June 2015, the Group's interest in Guangdong Baojin was pledged to the major shareholder of Guangdong Baojin as a security for a loan and the related interest due to this shareholder by Guangdong Baojin which amounted to HK\$12,122,000 (31 December 2014: HK\$11,800,000). In addition, the Group's cash and cash equivalents included a total amount of HK\$6,244,000 which was restricted for use and pledged to a bank as a security for a banking facility. Other than the above, none of the assets of the Group was pledged.

Litigation

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\$2,607,000) and a penalty of approximately RMB4,962,000 (equivalent to HK\$6,278,000) for non-payment (collectively referred to as the “Claim”). According to the judgement made by the Court of Zhongshan City in May 2014, the subsidiary is required to repay the Claim. The subsidiary submitted an appeal in June 2014 to the High Court of Guangdong Province. According to the judgement of the High Court of Guangdong Province issued in April 2015, the appeal was repudiated and the subsidiary was ordered to repay the Claim and respective court charges of approximately RMB61,000 (equivalent to HK\$77,000). Accordingly, a full provision was made during the current period, and the Claim and the respective court charges were fully paid in July 2015.

Contingent Liability

As at 30 June 2015, the Group had no material contingent liability.

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 2015, forward foreign exchange contracts of RMB37,475,000 (equivalent to HK\$47,522,000) against the United States Dollar were entered into by the Group to hedge against currency risks in respect of export sales. As at 31 December 2014, forward foreign exchange contracts equivalent to HK\$196,591,000 in total were entered into by the Group.

The Group’s interest rate risk arises primarily from interest-bearing borrowings, cash and cash equivalents and loans to an associate. Borrowings, deposits and lendings calculated at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As the Group considered the interest rate risk faced was not material, thus no hedging was made. Management closely monitors the changes in market interest rates.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 1,149 full-time employees, a decrease of 48 from the end of 2014. 192 of the employees were based in Hong Kong and 957 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 2015, 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 economy in Mainland China is facing downward pressure. Besides, capital markets are volatile. All these uncertainties will have pressure on the sales of tinplate products and there will be certain challenges in the operating environment in future. On the other hand, the exchange rate of Renminbi against the United States Dollars fluctuated widely in recent months and it is expected to continue to be volatile in the coming months, which may have a significant 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, which is expected to commence operation in the second half of 2015, in order to improve the standard of production equipment and product quality and to strengthen our core competitiveness. Moreover, the new coating and printing production lines commenced operation consecutively at the end of 2014, so as to enrich varieties in product categories and enhance value-added. 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. Through enhancing our supply chain management, we will continue to explore new and stable sources of supply for live pigs, ensure market supply and increase revenue. 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 2015

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2015, which have been reviewed by the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2015 - unaudited
(Expressed in Hong Kong dollars)

		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2015</i>	<i>2014</i>
		<i>\$'000</i>	<i>\$'000</i>
Revenue	3	1,371,697	1,744,657
Cost of sales		(1,231,769)	(1,570,856)
Gross profit		139,928	173,801
Other revenue	4	23,723	15,333
Other net income/(loss)	5	6,457	(14,486)
Distribution costs		(37,599)	(41,310)
Administrative expenses		(53,392)	(55,058)
Other operating expenses		(9,106)	(233)
Profit from operations		70,011	78,047
Net valuation gains on investment properties	10(b)	500	22,930
Finance costs	6(a)	(5,169)	(4,310)
Share of profits less losses of associates		(1,566)	(7,804)
Profit before taxation	6	63,776	88,863
Income tax	7	(8,450)	(17,109)
Profit for the period		55,326	71,754
Attributable to:			
Equity shareholders of the Company		54,015	66,563
Non-controlling interests		1,311	5,191
Profit for the period		55,326	71,754
Interim dividend	8(a)	18,152	18,146
Earnings per share			
Basic	9(a)	6.0 cents	7.3 cents
Diluted	9(b)	6.0 cents	7.3 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2015 - unaudited
(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit for the period	55,326	71,754
Other comprehensive income for the period (after taxation):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	<u>722</u>	<u>(17,167)</u>
Total comprehensive income for the period	56,048	54,587
Attributable to:		
Equity shareholders of the Company	54,682	50,925
Non-controlling interests	<u>1,366</u>	<u>3,662</u>
Total comprehensive income for the period	56,048	54,587

Consolidated Statement of Financial Position at 30 June 2015

(Expressed in Hong Kong dollars)

		At 30 June 2015 Unaudited \$'000	At 31 December 2014 Audited \$'000
	Note		
Non-current assets			
Investment properties	10	383,044	382,478
Other property, plant and equipment	10	736,201	752,059
Interests in leasehold land held for own use under operating leases		<u>124,376</u>	<u>126,308</u>
		<u>1,243,621</u>	1,260,845
Interest in associates		288,581	288,715
Deposits and prepayments		56,280	41,019
Deferred tax assets		<u>3,035</u>	<u>1,831</u>
		<u>1,591,517</u>	<u>1,592,410</u>
Current assets			
Inventories	11	376,317	419,301
Trade and other receivables, deposits and prepayments	12	454,800	592,037
Current tax recoverable		4,371	4,258
Cash and cash equivalents	13	<u>1,232,492</u>	<u>1,070,798</u>
		<u>2,067,980</u>	<u>2,086,394</u>
Current liabilities			
Trade and other payables	14	358,106	357,889
Bank loans	15(a)	498,075	149,344
Loans from a related company	15(b)	79,560	79,560
Current tax payable		<u>41,657</u>	<u>39,270</u>
		<u>977,398</u>	<u>626,063</u>
Net current assets		<u>1,090,582</u>	<u>1,460,331</u>
Total assets less current liabilities		<u>2,682,099</u>	<u>3,052,741</u>
Non-current liabilities			
Bank loans	15(a)	-	400,000
Deferred tax liabilities		<u>43,520</u>	<u>45,301</u>
		<u>43,520</u>	<u>445,301</u>
Net assets		<u>2,638,579</u>	<u>2,607,440</u>
Capital and reserves			
Share capital		459,651	459,066
Reserves		<u>1,983,016</u>	<u>1,951,182</u>
Total equity attributable to equity shareholders of the Company		2,442,667	2,410,248
Non-controlling interests		<u>195,912</u>	<u>197,192</u>
Total equity		<u>2,638,579</u>	<u>2,607,440</u>

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 2015 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 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any 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.

The financial information relating to the financial year ended 31 December 2014 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

2. Changes in accounting policies

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

2. Changes in accounting policies (Continued)

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tinsplating : this segment produces and sells tinsplates and related products which are mainly used as packaging materials for 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	Tinsplating		Fresh and live foodstuffs		Property leasing		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment revenue	<u>1,206,792</u>	<u>1,582,572</u>	<u>154,285</u>	<u>150,775</u>	<u>10,620</u>	<u>11,310</u>	<u>1,371,697</u>	<u>1,744,657</u>
Reportable segment profit	<u>26,012</u>	<u>33,714</u>	<u>39,289</u>	<u>34,495</u>	<u>7,259</u>	<u>7,641</u>	<u>72,560</u>	<u>75,850</u>
As at 30 June/ 31 December								
Reportable segment assets (including interest in associates)	<u>2,793,925</u>	<u>2,828,218</u>	<u>253,814</u>	<u>247,121</u>	<u>383,492</u>	<u>383,125</u>	<u>3,431,231</u>	<u>3,458,464</u>
Reportable segment liabilities	<u>946,791</u>	<u>997,476</u>	<u>23,112</u>	<u>23,182</u>	<u>41,736</u>	<u>41,277</u>	<u>1,011,639</u>	<u>1,061,935</u>

3. Revenue and segment reporting (Continued)

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

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit		
Reportable segment profit derived from the Group's external customers and associates	72,560	75,850
Unallocated head office and corporate income and expenses	(7,880)	(6,121)
Net valuation gains on investment properties	500	22,930
Finance costs	(5,169)	(4,310)
Share of profit of an associate not attributable to any segment	3,765	514
Consolidated profit before taxation	<u>63,776</u>	<u>88,863</u>
	<i>At</i>	<i>At</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Assets		
Reportable segment assets	3,431,231	3,458,464
Interest in an associate not attributable to any segment	222,574	218,715
Unallocated head office and corporate assets	5,692	1,625
Consolidated total assets	<u>3,659,497</u>	<u>3,678,804</u>
Liabilities		
Reportable segment liabilities	1,011,639	1,061,935
Unallocated head office and corporate liabilities	9,279	9,429
Consolidated total liabilities	<u>1,020,918</u>	<u>1,071,364</u>

4. Other revenue

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Interest income	21,521	13,370
Subsidies received	875	407
Others	1,327	1,556
	<u>23,723</u>	<u>15,333</u>

5. Other net income/(loss)

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Net realised and unrealised exchange gain/(loss)	1,857	(7,901)
Net gains/(losses) on forward foreign exchange contracts	3,288	(5,106)
Others	1,312	(1,479)
	<u>6,457</u>	<u>(14,486)</u>

6. Profit before taxation

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

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
(a) Finance costs		
Interest on bank advances and other borrowings	4,465	3,615
Interest on loans from a related company	704	695
	<u>5,169</u>	<u>4,310</u>
(b) Staff costs		
Net contributions to defined contribution retirement plans	6,438	5,639
Equity-settled share-based payment expenses	(71)	166
Salaries, wages and other benefits	76,486	75,932
	<u>82,853</u>	<u>81,737</u>
(c) Other items		
Amortisation of land lease premium	1,977	1,874
Depreciation	50,584	45,619
Operating lease charges in respect of property rentals	3,989	3,925
Rentals receivable from investment properties less direct outgoings of \$564,000 (30 June 2014: \$831,000)	<u>(10,056)</u>	<u>(10,479)</u>

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Current tax – Hong Kong		
Provision for the period	5,481	5,611
Over-provision in respect of prior years	<u>(1,268)</u>	<u>-</u>
	<u>4,213</u>	<u>5,611</u>
Current tax – the People's Republic of China (the "PRC")		
Provision for the period	7,470	9,677
(Over)/under-provision in respect of prior years	<u>(238)</u>	<u>2,361</u>
	<u>7,232</u>	<u>12,038</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(2,995)</u>	<u>(540)</u>
(i)	<u>8,450</u>	<u>17,109</u>

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015. 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:

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared and payable/paid after the interim period of 2.0 cents (30 June 2014: 2.0 cents) per ordinary share	<u>18,152</u>	<u>18,146</u>

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 2.5 cents (30 June 2014: 2.0 cents) per ordinary share	<u>22,690</u>	<u>18,146</u>

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity shareholders of the Company of \$54,015,000 (30 June 2014: \$66,563,000) and the weighted average number of 907,340,000 (30 June 2014: 907,293,000) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	907,293	907,293
Effect of share options exercised	<u>47</u>	<u>-</u>
Weighted average number of ordinary shares at 30 June	<u>907,340</u>	<u>907,293</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity shareholders of the Company of \$54,015,000 (30 June 2014: \$66,563,000) and the weighted average number of ordinary shares (diluted) of 907,340,000 (30 June 2014: 907,293,000).

10. Investment properties and other property, plant and equipment

(a) *Acquisitions and transfers*

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of \$34,792,000 (30 June 2014: \$42,366,000). Also, the Group transferred construction in progress with a carrying amount of \$24,152,000 (30 June 2014: \$49,786,000) to other property, plant and equipment upon completion.

(b) *Investment properties*

The valuations of investment properties carried at fair value were updated at 30 June 2015 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 2014 valuations. As a result of the update, a net gain of \$500,000 (30 June 2014: \$22,930,000) has been recognised in profit or loss for the period.

11. Inventories

	<i>At</i> 30 June 2015 \$'000	<i>At</i> 31 December 2014 \$'000
Raw materials, spare parts and consumables	161,379	186,455
Work in progress	18,927	21,370
Finished goods	196,011	211,476
	376,317	419,301

12. Trade and other receivables, deposits and prepayments

As of the end of the reporting period, 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:

	<i>At</i> 30 June 2015 \$'000	<i>At</i> 31 December 2014 \$'000
Within 1 month	290,648	439,649
1 to 3 months	65,939	32,218
Over 3 months	2,987	1,372
	359,574	473,239

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

In respect of trade and bills receivables relating to the tinplating business, deposits, prepayments and 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

	<i>At 30 June 2015 \$'000</i>	<i>At 31 December 2014 \$'000</i>
Deposits with banks	34,160	-
Cash at bank and in hand	<u>1,198,332</u>	<u>1,070,798</u>
Cash and cash equivalents in the consolidated statement of financial position	<u>1,232,492</u>	<u>1,070,798</u>

14. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors, bills payable and trade balances due to a related company and associates (which are included in trade and other payables) is as follows:

	<i>At 30 June 2015 \$'000</i>	<i>At 31 December 2014 \$'000</i>
Due within 1 month or on demand	64,558	44,140
Due after 1 month but within 3 months	<u>141,702</u>	<u>163,196</u>
	<u>206,260</u>	<u>207,336</u>

15. Borrowings

	<i>At 30 June 2015 \$'000</i>	<i>At 31 December 2014 \$'000</i>
(a) Bank loans		
- unsecured (note)	<u>498,075</u>	<u>549,344</u>

The bank loans were repayable as follows:

	<i>At 30 June 2015 \$'000</i>	<i>At 31 December 2014 \$'000</i>
Within 1 year or on demand	498,075	149,344
After 1 year but within 2 years	-	400,000
	<u>498,075</u>	<u>549,344</u>

Note: Included in unsecured bank loans is a loan of \$400,000,000 (31 December 2014: \$400,000,000) 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 statement of financial position 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 2015 and 31 December 2014, none of the covenants relating to the bank loan had been breached.

	<i>At 30 June 2015 \$'000</i>	<i>At 31 December 2014 \$'000</i>
(b) Loans from a related company	<u>79,560</u>	<u>79,560</u>

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") + 1.5% (31 December 2014: 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 (the “Stock Exchange”) throughout the six months ended 30 June 2015 except for the following:

Under the CG Code, there should be a clear division of responsibilities for the roles of chairman and chief executive officer and these two roles should be performed by two persons (the Company regards that the term “chief executive officer” has the same meaning as the General Manager of the Company). On 26 March 2015, Mr. Luo Jianhua resigned as an Executive Director and the General Manager of the Company. Mr. Tan Yunbiao, the Chairman of the Company, took up also the duties of the General Manager temporarily. The Company is in the process of identifying a suitable candidate with appropriate experience as its General Manager and will issue an announcement with regard to the appointment of the new General Manager of the Company once it has been decided.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend for 2015 of HK2.0 cents per share (2014: HK2.0 cents per share). The interim dividend will be paid on Monday, 26 October 2015 to the shareholders whose names appear on the register of members of the Company on Wednesday, 7 October 2015.

Closure of Register of Members

The register of members of the Company will be closed on Tuesday, 6 October 2015 and Wednesday, 7 October 2015. 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 Monday, 5 October 2015.

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 2015. In addition, the Company’s external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 26 August 2015

As at the date of this announcement, the Board is composed of three Executive Directors, namely Messrs. Tan Yunbiao, Li Li 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.