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 2016

Financial highlights for the year ended 31 December

	2016	2015	
	HK$'000	HK$'000	Change
Revenue	**2,246,114**	2,478,661	-9.4%
Profit from operations	**84,302**	87,203	-3.3%
Profit attributable to shareholders	**108,484**	66,285	63.7%
Earnings per share – Basic	**HK 12.0 cents**	HK 7.3 cents	64.4%
Dividend per share			
Interim	**HK 1.0 cent**	HK 2.0 cents	
Proposed final	**HK 3.0 cents**	HK 1.0 cent	
	HK 4.0 cents	HK 3.0 cents	33.3%

CHAIRMAN'S STATEMENT

I hereby 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$108,484,000 in 2016, representing an increase of 63.7% compared with HK$66,285,000 in 2015. The basic earnings per share was HK 12.0 cents, representing an increase of 64.4% from HK 7.3 cents in 2015.

Dividend

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK 3.0 cents per share for the year 2016. The abovementioned final dividend for 2016, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 27 June 2017.

Business Review

In 2016, the Group recorded a decrease in revenue and an increase in segment loss in the tinplating business. The fresh and live foodstuffs business, on the other hand, saw an increase in both revenue and segment profit. Consolidated revenue was HK$2,246,114,000, representing a decrease of 9.4% from HK$2,478,661,000 in 2015. Profit from operations was HK$84,302,000, representing a decrease of 3.3% from HK$87,203,000 in 2015.

In the past year, the global economy continued to see sluggish growth and the domestic economy experienced a restructuring which stressed reducing overcapacity, destocking, deleveraging, lowering operating costs and improving weak links in the light of the drop in demand during economic downswing. The operating environment of the tinplating business also faced difficulties such as excess capacity and changing competition pattern. Nonetheless, by implementing various measures to secure market share, avoid losses and control risks, the tinplating business has stabilised and resumed growth in production and sales, and has effectively managed its exchange risks. Exchange losses have been significantly reduced and operating cash flow has attained a sufficient and healthy level, thereby laying a solid groundwork for the transformation and upgrading of the Group.

As to the fresh and live foodstuffs business, benefited from the high price of live pigs, the segment profit recorded a growth for the second consecutive year and set a new performance record by actively organising and reasonably allocating stocks to satisfy market needs, increasing the proportion of own sales business to enhance operations and reinforcing controls over associates.

In respect of the property leasing business, the rental income and segment profit, excluding the effect of exchange rates, remained stable compared with 2015. During the year, the value of the properties held by the Group saw a slight growth and net valuation gains on investment properties of HK$3,738,000 (2015: HK$4,200,000) were recorded.

For the associates, despite the rise in sales volume of corn starch, a major product, Yellow Dragon Food Industry Co., Ltd. recorded a loss from operation due to the drop in sales prices and revenue, while recording a net profit of HK$22,626,000, mainly due to the government grants income. On the other hand, despite the pullback in the price of live pigs since August 2016, the two associates engaging in the pig farming and sales of pigs recorded a satisfactory net profit as the price of live pigs was still maintained at a relatively high level.

Prospects

As the footing of national policies for the new year, the Chinese government has reiterated the general approach of seeking growth with stability and will continue with the structural supply-side reform. This year, the tinplating sector will be charaterised by high costs, high prices, low demand, struggle for profitability and strict environmental regulations, and the severity and complexity of competition will persist for some time. Among these unfavourable aspects, high costs will inevitably cause immense pressure on the operations and require us to improve our profitability management model and enhance exposure management, to implement new strategies to develop new income streams and tighten cost control, to strengthen the control of various risks (particularly those in relation to, amongst other matters, foreign exchange, trade receivables, inventories), and to broaden the "team marketing" control model, to step up marketing efforts targeting at specific markets, products and profit margins, and to carry out structural adjustment to increase the proportion of direct sales. As such, the objectives of the tinplating business for this year are maintaining market share, adjusting business structure, eliminating losses and controlling risks.

The drop in price of live pigs since the second half of the last year as well as the fluctuations and uncertainties demonstrated by the "live pig cycle" will have an impact on the performance of the distribution operation under the fresh and live foodstuffs business and also the profitability of the associates. We need to further improve the operating and service capabilities of the distribution business and develop new ideas to pursue a breakthrough in the sales volume of the distribution operation under foodstuff trading. In view of the above, the goals of the fresh and live foodstuffs business are to sustain effectiveness, improve capabilities and achieve breakthrough.

Tan Yunbiao
Chairman

Hong Kong, 28 March 2017

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 POSCO Co., Ltd., an internationally renowned iron and steel enterprise, holds the remaining 34%. Currently, the annual production capacity of tinplate products and blackplates of the Group is 550,000 tonnes and 140,000 tonnes respectively, of which 350,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from Zhongyue Tinplate's capacity, whereas 200,000 tonnes of tinplate products are from Zhongyue Posco's capacity.

Demand for tinplate products remained weak amidst lingering global economy and slowdown in Chinese economic growth. Meanwhile, competition pattern of the sector has changed dramatically due to the escalating tinplate production capacity of steel conglomerates and the merger of two steel conglomerates in China. Together with the surging raw material and production costs, these factors have created new conditions for the tinplating sector featuring high cost, low growth, thin profit margin and strict environmental regulations. In response to the intense competition and complex and dynamic external environment, the Group has vigorously adjusted its product mix, improved its product quality, integrated the services offered, innovated production techniques, controlled risks and enhanced cost-saving and overall effectiveness in respect of the tinplating business based on a centralised supply chain operation. Such organisational transformation and control and marketing improvements have contributed to the achievement of the operating targets set at the beginning of the year.

In 2016, the Group produced 319,102 tonnes of tinplate products, which represented an increase of 1.1% as compared to that in 2015. Among which, Zhongyue Tinplate and Zhongyue Posco produced 185,676 tonnes and 133,426 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 117,213 tonnes of blackplates, an increase of 4.8% as compared to that in 2015, 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 332,722 tonnes of tinplate products, an increase of 5.3% as compared to that in 2015, of which Zhongyue Tinplate and Zhongyue Posco sold 192,140 tonnes and 140,582 tonnes respectively. Revenue was HK$1,821,204,000, a decrease of 13.6% as compared to that in 2015. Segment loss was HK$9,475,000, an increase of 13.2% from that in 2015. The tinplating business accounted for 81.1% of the Group's revenue.

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 15.45% 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 2016, the fresh and live foodstuffs business gained momentum amidst favourable conditions in the "live pig cycle" and set the best record in its operating history by focusing on and continually improving operations, capitalising on the rising price of live pigs and acting swiftly during emergencies.

The major key performance indicators of the Group's fresh and live foodstuffs business are market share in live pigs supply to Hong Kong, revenue and segment profit. The performance for this year was satisfactory. The Group's overall market share in the live pigs supply into Hong Kong was about 46% in 2016, slightly increased as compared to that in 2015. In 2016, the revenue of the fresh and live foodstuffs business amounted to HK$404,391,000, representing an increase of 15.8% as compared to that in 2015. Together with the share of profits of associates, namely Hubei Jinxu and Guangdong Baojin, of HK$21,495,000 (2015: share of loss less profit of HK$282,000), segment profit was HK$118,663,000, representing an increase of HK$22,143,000 or 22.9% as compared to HK$96,520,000 in 2015.

Property Leasing

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

In 2016, the property occupancy rate for the property leasing business of the Group was 92.1%, slightly decreased as compared to that in 2015. Revenue was HK$20,519,000, a decrease of 4.4% as compared to that in 2015. Segment profit amounted to HK$14,823,000, a decrease of 0.7% as compared to that in 2015. In addition, the value of the plant and staff dormitories of Zhongyue Tinplate and the office units in Hong Kong saw a slight growth, and net valuation gains on investment properties of HK$3,738,000 (2015: HK$4,200,000) were recorded for the year.

Yellow Dragon

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

In 2016, Yellow Dragon recorded a sales volume of 363,707 tonnes of corn starch, its major product, representing an increase of 9.0% as compared to that in 2015. Revenue amounted to HK$1,384,286,000, a decrease of 16.0% as compared to that in 2015, as product selling prices dropped. While recording a loss from operation, Yellow Dragon recorded a net profit of HK$22,626,000, compared with a loss of HK$43,387,000 in 2015, mainly due to the government grants income. As the Company holds a 40% interest in Yellow Dragon, the Group's share of profit was HK$9,050,000 (2015: share of loss of HK$17,355,000).

FINANCIAL POSITION

As at 31 December 2016, the Group's total assets and total liabilities amounted to HK$2,854,348,000 and HK$383,558,000, representing a decrease of HK$286,181,000 and HK$255,455,000 respectively when compared with the positions at the end of 2015. Net current assets increased from HK$1,034,574,000 at the end of 2015 to HK$1,140,721,000. The current ratio (current assets divided by current liabilities) increased from 2.7 at the end of 2015 to 4.3.

Liquidity and Financial Resources

In January 2016, the Group fully repaid unsecured bank borrowings of HK$271,300,000, bringing the Group's cash and bank balances as at 31 December 2016 to HK$777,612,000, representing a decrease of 19.0% when compared with the position at the end of 2015, of which 22.9% was denominated in Renminbi, 52.2% was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. Interest income decreased from HK$41,050,000 in 2015 to HK$10,406,000 in 2016.

As at 31 December 2016, the Group had outstanding loans from a related company denominated in United States Dollars equivalent to HK$42,900,000 (31 December 2015: HK$71,760,000), which were repayable within 1 year and subject to floating interest rate. The annual interest rate was 3-month London Interbank Offered Rate ("LIBOR") + 1.3% (31 December 2015: 3-month LIBOR + 1.4%).

As at 31 December 2016, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less restricted deposits and cash and bank balances) of the Group by total equity attributable to equity shareholders of the Company, was -31.9% (2015: -26.5%).

As at 31 December 2016, the Group's available banking facilities used for working capital and trade finance purposes amounted to HK$228,143,000, of which HK$101,565,000 was utilised and HK$126,578,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's debt obligations and needs for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in 2016 amounted to HK$5,826,000 (2015: HK$133,980,000). Capital commitments outstanding at 31 December 2016 not provided for in the financial statements amounted to HK$3,371,000 (2015: HK$8,899,000) and it was expected that the capital expenditure for 2017 will be approximately HK$9,000,000.

Acquisitions and Disposals of Investments

The Group had no material acquisitions and disposals of investments during the year of 2016.

Pledge of Assets

As at 31 December 2016, 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, and the guarantee amounted to HK$7,555,000 (2015: HK$11,711,000). In addition, as at 31 December 2016, the Group was required to place deposits at designated bank accounts amounting to HK$1,809,000 (2015: HK$Nil) for potential default in payment of construction cost payables. Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

The Group's operations are mainly conducted in Mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily through 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 Dollars against the 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 view of the market expectation of the depreciation of the Renminbi against the United States Dollar in the short to medium term, the Group has enhanced research and monitoring of the foreign exchange market since the second half of 2015 in order to reasonably mitigate the financial impact from the fluctuations in the exchange rate of the Renminbi on the Group. While balancing interest income and exchange rate risks, the Group has been gradually increasing its foreign currency assets and reducing its foreign currency liabilities in order to reduce the exposure to exchange rate risks. As the Group considers that its current exposure to exchange rate risks is not material, no exchange rate hedging has been carried out. The management closely monitors the changes in the foreign exchange market and will take appropriate measures to hedge the risks when necessary.

The Group's interest rate risk arises primarily from interest-bearing borrowings, restricted deposits and cash and bank balances. Borrowings and lendings carried 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 considers that its current exposure to interest rate risk is not material, no interest rate hedging has been carried out. The management closely monitors the changes in market interest rates.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 1,091 full-time employees, a decrease of 64 from the number at the end of 2015. 175 employees were based in Hong Kong and 916 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2016, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management, key personnel and outstanding staff based on the assessment of individual performance, and these incentive schemes are proven effective to improve the morale of the staff members.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

The Board announces the consolidated results of the Group for the year ended 31 December 2016, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	***2016*** **$'000**	*2015* $'000
Revenue	3	**2,246,114**	2,478,661
Cost of sales		**(2,029,143)**	(2,231,322)
Gross profit		**216,971**	247,339
Other revenue	4	**19,930**	50,151
Other net gains/(losses)	5	**5,363**	(34,883)
Distribution costs		**(61,262)**	(66,103)
Administrative expenses		**(95,163)**	(98,937)
Other operating expenses		**(1,537)**	(10,364)
Profit from operations		**84,302**	87,203
Net valuation gains on investment properties	10(b)	**3,738**	4,200
Finance costs	6(a)	**(1,449)**	(9,962)
Share of profits less losses of associates		**30,545**	(17,637)
Profit before taxation	6	**117,136**	63,804
Income tax	7	**(7,766)**	(9,302)
Profit for the year		**109,370**	54,502
Attributable to:			
Equity shareholders of the Company		**108,484**	66,285
Non-controlling interests		**886**	(11,783)
Profit for the year		**109,370**	54,502
Dividends payable to equity shareholders of the Company attributable to the year:	8(a)		
Interim dividend declared and paid during the year		**9,076**	18,152
Final dividend proposed after the end of the reporting period		**27,228**	9,076
		36,304	27,228
Earnings per share			
Basic	9(a)	**12.0 cents**	7.3 cents
Diluted	9(b)	**12.0 cents**	7.3 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016	*2015*
	$'000	$'000
Profit for the year	**109,370**	54,502
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of buildings held for own use and interests in leasehold land held for own use under operating leases upon transfer out to investment properties		
- Before-tax amount	**-**	2,828
- Tax expense	**-**	(707)
Net-of-tax amount	**-**	2,121
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	**(103,290)**	(101,412)
- associates outside Hong Kong	**(18,367)**	(16,795)
- tax benefit related to a subsidiary outside Hong Kong	**2,653**	2,426
Net-of-tax amount	**(119,004)**	(115,781)
Other comprehensive income for the year	**(119,004)**	(113,660)
Total comprehensive income for the year	**(9,634)**	(59,158)
Attributable to:		
Equity shareholders of the Company	**(2,136)**	(38,774)
Non-controlling interests	**(7,498)**	(20,384)
Total comprehensive income for the year	**(9,634)**	(59,158)

Consolidated Statement of Financial Position
At 31 December 2016
(Expressed in Hong Kong dollars)

	Note	***2016*** **$'000**	*2015* $'000
Non-current assets			
Investment properties	10(b)	**384,826**	392,061
Other property, plant and equipment		**604,058**	740,504
Interests in leasehold land held for own use under operating leases		**100,646**	111,029
	10	**1,089,530**	1,243,594
Interest in associates		**267,774**	255,596
Deposits and prepayments		**5,244**	4,732
Deferred tax assets		**232**	1,699
		1,362,780	1,505,621
Current assets			
Inventories	11	**240,796**	229,109
Trade and other receivables, deposits and prepayments	12	**470,856**	441,832
Current tax recoverable		**495**	4,114
Restricted deposits		**1,809**	-
Cash and bank balances	13	**777,612**	959,853
		1,491,568	1,634,908
Current liabilities			
Trade and other payables	14	**289,205**	236,295
Bank loans	15(a)	**-**	271,300
Loans from a related company	15(b)	**42,900**	71,760
Current tax payable		**18,742**	20,979
		350,847	600,334
Net current assets		**1,140,721**	1,034,574
Total assets less current liabilities		**2,503,501**	2,540,195
Non-current liabilities			
Deferred tax liabilities		**32,711**	38,679
Net assets		**2,470,790**	2,501,516
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**1,850,313**	1,870,601
Total equity attributable to equity shareholders of the Company		**2,309,964**	2,330,252
Non-controlling interests		**160,826**	171,264
Total equity		**2,470,790**	2,501,516

Notes to the consolidated financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Basis of preparation

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. The 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 information has been prepared on a basis consistent with the accounting policies and methods adopted in the 2015 annual financial statements, except for the accounting policy changes that are reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on those financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have 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.

- 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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- Segment assets include all tangible, intangible assets and current assets with the exception of interest in an 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 and other information relevant to the assessment of segment performance and allocation of resources between segments. 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. Revenue and segment reporting (Continued)

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

	Tinplating		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2016	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**1,821,204**	2,107,863	**404,391**	349,341	**20,519**	21,457	**2,246,114**	2,478,661
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Reportable segment revenue	**1,821,204**	2,107,863	**404,391**	349,341	**20,519**	21,457	**2,246,114**	2,478,661
Reportable segment (loss)/profit	**(9,475)**	(8,371)	**118,663**	96,520	**14,823**	14,934	**124,011**	103,083
Reportable segment assets	**1,908,674**	2,282,393	**277,080**	271,593	**385,776**	392,623	**2,571,530**	2,946,609
(including interest in associates)	**-**	-	**82,041**	66,396	**-**	-	**82,041**	66,396
Reportable segment liabilities	**300,496**	575,095	**32,062**	15,194	**41,310**	42,949	**373,868**	633,238
Depreciation and amortisation for the year	**102,665**	100,499	**178**	154	**189**	202	**103,032**	100,855
Interest income	**10,166**	40,217	**240**	833	**-**	-	**10,406**	41,050
Write-down of inventories	**4,753**	14,376	**-**	-	**-**	-	**4,753**	14,376
Additions to non-current segment assets during the year	**5,774**	99,955	**851**	93	**-**	-	**6,625**	100,048

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

	2016	*2015*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**124,011**	103,083
Unallocated head office and corporate income and expenses	**(18,214)**	(16,162)
Net valuation gains on investment properties	**3,738**	4,200
Finance costs	**(1,449)**	(9,962)
Share of profit/(loss) of an associate not attributable to any segment	**9,050**	(17,355)
Consolidated profit before taxation	**117,136**	63,804

3. Revenue and segment reporting (Continued)

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

	2016	*2015*
	$'000	$'000
Assets		
Reportable segment assets	**2,571,530**	2,946,609
Interest in an associate not attributable to any segment	**185,733**	189,200
Unallocated head office and corporate assets	**97,085**	4,720
Consolidated total assets	**2,854,348**	3,140,529
Liabilities		
Reportable segment liabilities	**373,868**	633,238
Unallocated head office and corporate liabilities	**9,690**	5,775
Consolidated total liabilities	**383,558**	639,013

(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 investment properties, other property, plant and equipment, interests in leasehold land held for own use under operating leases, deposits and prepayments (non-current portion) 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 property, plant and equipment, and the location of operations, in the case of deposits and prepayments (non-current portion) and interest in associates.

	Revenue from external customers		***Specified non-current assets***	
	2016	*2015*	***2016***	*2015*
	$'000	$'000	**$'000**	*$'000*
Hong Kong (place of domicile)	**506,511**	442,381	**223,161**	220,935
Mainland China	**966,793**	900,219	**1,139,387**	1,282,987
Asian countries (excluding Mainland China and Hong Kong)	**411,600**	739,202	**-**	-
Other countries	**361,210**	396,859	**-**	-
	1,739,603	2,036,280	**1,139,387**	1,282,987
	2,246,114	2,478,661	**1,362,548**	1,503,922

4. Other revenue

	2016	*2015*
	$'000	$'000
Interest income	**10,406**	41,050
Subsidies received	**6,140**	4,794
Others	**3,384**	4,307
	19,930	50,151

5. Other net gains/(losses)

	2016	*2015*
	$'000	$'000
Net realised and unrealised exchange gain/(loss)	**5,270**	(41,459)
Net gains on forward foreign exchange contracts	**-**	5,443
Gain on deemed disposal of interest in an associate (note)	**-**	1,314
Net gain/(loss) on disposal of property, plant and equipment	**93**	(181)
	5,363	(34,883)

Note: During the year ended 31 December 2015, Hubei Jinxu Agriculture Development Co., Ltd. ("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 $1,314,000.

6. Profit before taxation

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

		2016	*2015*
		$'000	$'000
(a)	**Finance costs**		
	Interest on bank borrowings	**219**	8,588
	Interest on loans from a related company	**1,230**	1,374
		1,449	9,962
(b)	**Staff costs**		
	Net contributions to defined contribution retirement plans	**13,216**	13,289
	Equity-settled share-based payment expenses	**-**	(878)
	Salaries, wages and other benefits	**140,567**	146,774
		153,783	159,185
(c)	**Other items**		
	Cost of inventories sold (note)	**2,009,285**	2,211,448
	Auditors' remuneration	**5,189**	5,212
	Depreciation	**99,637**	97,137
	Amortisation of land lease premium	**3,495**	3,818
	Write-down of inventories	**4,753**	14,376
	Operating lease charges	**7,963**	7,813
	Rentals receivable from investment properties less direct outgoings of $919,000 (2015: $947,000)	**(19,600)**	(20,510)

Note: Cost of inventories sold includes $178,892,000 (2015: $192,347,000) relating to staff costs, depreciation, amortisation and write-down of inventories, 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	*2016* **$'000**	*2015* $'000
Current tax – Hong Kong			
Provision for the year		**11,679**	11,387
Over-provision in respect of prior years		**(38)**	(1,308)
		11,641	10,079
Current tax – the People's Republic of China ("PRC")			
Provision for the year		**1,096**	9,096
Over-provision in respect of prior years		**(4,973)**	(5,022)
		(3,877)	4,074
Deferred tax			
Origination and reversal of temporary differences		**2**	(4,851)
	(i)	**7,766**	9,302

Notes:

(i) The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of $20,000 for each business (2015: a maximum reduction of $20,000 was granted for the year of assessment 2014-15 and was taken into account in calculating the provision for 2015). Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective 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 year:

	2016	*2015*
	$'000	$'000
Interim dividend declared and paid of 1.0 cent (2015: 2.0 cents) per ordinary share	**9,076**	18,152
Final dividend proposed after the end of the reporting period of 3.0 cents (2015: 1.0 cent) per ordinary share	**27,228**	9,076
	36,304	27,228

The final dividend proposed 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 year:

	2016	*2015*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 cent (2015: 2.5 cents) per ordinary share	**9,076**	22,690

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 $108,484,000 (2015: $66,285,000) and the weighted average number of 907,593,000 (2015: 907,468,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	*2015*
	'000	'000
Issued ordinary shares at 1 January	**907,593**	907,293
Effect of share options exercised	**-**	175
Weighted average number of ordinary shares at 31 December	**907,593**	907,468

(b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 December 2016 and 2015.

10. Investment properties, other property, plant and equipment and leasehold land

(a) Acquisitions and transfers

During the year, the Group acquired items of property, plant and equipment with a total cost of $5,826,000 (2015: $133,980,000). Also, the Group transferred construction in progress with a carrying amount of $869,000 (2015: $163,539,000) to other property, plant and equipment upon completion.

During the year ended 31 December 2015, a certain portion of buildings held for own use and interests in leasehold land held for own use under operating leases situated in the PRC with a fair value of $11,111,000 and $4,624,000 respectively were transferred to investment properties due to a change in use.

(b) Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of $222,140,000 (2015: $220,500,000) were revalued at 31 December 2016 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties of the Group situated in the PRC totalling $162,686,000 (2015: $171,561,000) were revalued at 31 December 2016 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

Based on the valuations, a net gain of $3,738,000 (2015: $4,200,000), and deferred tax expense thereon of $1,186,000 (2015: $773,000), have been recognised in the consolidated income statement.

11. Inventories

	2016	*2015*
	$'000	$'000
Raw materials, spare parts and consumables	**119,184**	103,732
Work in progress	**27,807**	13,254
Finished goods	**93,805**	112,123
	240,796	229,109

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:

	2016	*2015*
	$'000	$'000
Within 1 month	**360,977**	358,444
1 to 3 months	**10,873**	14,792
Over 3 months	**2,896**	77
	374,746	373,313

In respect of trade and bills receivable 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 bank balances

	2016	*2015*
	$'000	$'000
Deposits with banks	**232,440**	6,727
Cash at bank and in hand	**545,172**	953,126
Cash and bank balances in the consolidated statement of financial position	**777,612**	959,853

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:

	2016	*2015*
	$'000	$'000
Due within 1 month or on demand	**102,873**	88,966
Due after 1 month but within 3 months	**56,666**	25,846
	159,539	114,812

15. Borrowings

	2016	*2015*
	$'000	$'000
(a) Bank loans		
- Unsecured (note)	**-**	271,300

The bank loans were repayable as follows:

	2016	*2015*
	$'000	$'000
Within 1 year or on demand	**-**	271,300

Note: As at 31 December 2015, the unsecured bank loans were guaranteed by the Company. It was provided in the facility agreement for the unsecured bank loans 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 were entitled to request immediate repayment of these outstanding loans and all accrued interest.

Furthermore, the bank loans were 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 31 December 2015, none of the covenants relating to the bank loans had been breached.

During the year ended 31 December 2016, the unsecured bank loans were fully repaid.

	2016	*2015*
	$'000	$'000
(b) Loans from a related company	**42,900**	71,760

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") + 1.3% (2015: 3-month LIBOR + 1.4%) 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 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 year ended 31 December 2016 except for the following:

The code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (the Company regards that the term "chief executive officer" has the same meaning as the General Manager of the Company).

Mr. Tan Yunbiao was acted as the Chairman and General Manager of the Company for the period from March 2015 to October 2016. He was responsible for effective running of the Board and formulating business strategies. He also provided leadership for effective running of the Company's business and implementing the policies devised by the Board, and this arrangement enabled the Company to make and implement decisions promptly. After consideration, the Board believes that the appointment of Mr. He Jinzhou, who possess extensive experience in tinplating industry, as the Executive Director and General Manager of the Company will be beneficial to the long-term development of the tinplating business, thus enhancing the Company's operating results. Therefore, the roles of Chairman and General Manager of the Company were separated from 28 October 2016.

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2016 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.

Annual General Meeting

The 2017 Annual General Meeting of the Company ("AGM") will be held on Thursday, 1 June 2017 at 11:00 a.m. 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 Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2017.

Corporate Governance Code (Continued)

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent per share (2015: HK 2.0 cents) was paid on 25 October 2016. The Board recommends the payment of a final dividend of HK 3.0 cents per share (2015: HK 1.0 cent) for the year ended 31 December 2016. The proposed final dividend, if approved at the AGM, is expected to be paid on Tuesday, 27 June 2017 to the shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017.

The register of members will be closed from Wednesday, 7 June 2017 to Friday, 9 June 2017 (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 above not later than 4:30 p.m. on Tuesday, 6 June 2017.

By Order of the Board
Tan Yunbiao
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board is composed of three Executive Directors, namely Messrs. Tan Yunbiao, He Jinzhou and Lau Kin Man; 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.