GDH

GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

Unaudited financial highlights for the six months ended 30 June

	2017 **HK$'000**	2016 HK$'000	Change
Revenue	**1,053,749**	1,127,125	-6.5%
Profit from operations	**2,984**	26,136	-88.6%
Profit attributable to shareholders	**45,689**	36,061	26.7%
Earnings per share – Basic	**HK 5.0 cents**	HK 4.0 cents	25.0%
Interim dividend per share	**HK 1.0 cent**	HK 1.0 cent	0.0%

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

RESULTS

For the first half of 2017, the unaudited consolidated profit attributable to shareholders was HK$45,689,000, representing an increase of 26.7% compared with HK$36,061,000 for the corresponding period last year. Basic earnings per share was HK5.0 cents, an increase of 25.0% from HK4.0 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 2017 of HK1.0 cent per share (2016: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2017, the Group's consolidated revenue was HK$1,053,749,000, representing a decrease of HK$73,376,000 or 6.5% from HK$1,127,125,000 for the corresponding period last year. Profit from operations was HK$2,984,000, representing a decrease of HK$23,152,000 or 88.6% from HK$26,136,000 for the corresponding period last year.

In respect of our tinplating business, with the impact of excess capacity in the industry and low demand of downstream business, sales volume of tinplate products in the first half of 2017 decreased by 42,030 tonnes, representing a decrease of 24.2% as compared to that for the corresponding period last year. Selling price of tinplate products increased due to the increase in prices of raw materials of tinplates. Revenue of the tinplating business decreased by HK$39,813,000 or 4.4% from HK$901,993,000 for the corresponding period last year to HK$862,180,000 for the period. The segment loss was HK$41,193,000, an increase of HK$15,217,000 from the segment loss of HK$25,976,000 for the corresponding period last year.

As to the fresh and live foodstuffs business, avian flu still had an impact on our distribution and sales of live poultry business in the first half of 2017, only few live poultry were imported into Hong Kong. For the live pigs business, with the increased supply of live pigs from the mainland China, the price of live pigs decreased as compared to that for the corresponding period last year. Although the Group's overall market share in the live pigs supply into Hong Kong increased by 1 percent to about 46%, the commission revenue from the distribution of livestock business decreased, resulting in a decrease in the segment profit of the fresh and live foodstuffs business of HK$10,917,000 from that for the corresponding period last year.

In respect of the property leasing business, the rental income for the first half of 2017 decreased by HK$517,000 from that for the corresponding period last year, together with the increase in operating expenses led to a decrease of HK$1,083,000 in the segment profit from that for the corresponding period last year. The value of properties held by the Group increased and net valuation gains on investment properties of HK$14,230,000 (30 June 2016: HK$100,000) were recorded for the period.

BUSINESS REVIEW (Continued)

For the associates, as a result of government grants income, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") recorded net profit of HK$43,586,000 for the first half of 2017, but the operation was still challenging. On the other hand, despite the continuous decrease in the price of live pigs in the first half of 2017, profit was still recorded in this period by the two associates, which are engaged in pig farming and sales of pigs, contributing the share of profits from these two associates of HK$6,742,000 to the Group.

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. In the first half of 2017, Zhongyue Tinplate removed a tinplating production line to make room for developing new products, resulted in a decrease in the annual production capacity of tinplate products by 60,000 tonnes. Currently, the annual production capacity of tinplate products and blackplates of the Group is 490,000 tonnes and 140,000 tonnes respectively, of which 290,000 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.

The revenue of the tinplating business accounted for 81.8% of the Group's revenue. In the first half of 2017, the Group produced 133,715 tonnes of tinplate products, which represented a decrease of 17.7% as compared to that for the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 83,876 tonnes and 49,839 tonnes respectively. In addition, the Group sold 131,565 tonnes of tinplate products, a decrease of 24.2% as compared to that for the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 83,575 tonnes and 47,990 tonnes respectively, a decrease of 19.2% and 31.5% respectively as compared to that for the corresponding period last year. The revenue for the period was HK$862,180,000, a decrease of 4.4% as compared to that for the corresponding period last year. The segment loss was HK$41,193,000, an increase of HK$15,217,000 from the segment loss of HK$25,976,000 for the corresponding period last year.

Due to the intense market competition, the Group adjusted the combination of suppliers for sourcing raw materials through cooperating with new raw material suppliers, so as to reduce the overall purchase costs. Meanwhile, the Group strived to enhance product quality and enrich product mix to increase added values, in turn gaining customers' recognition. The Group also boosted its efforts in market expansion to enlarge its customer base and raise the proportion of export sales volume under direct marketing. Accordingly, profit growth may be attained leveraging on such marketing strategies covering the whole value chain.

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% 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 the first half of 2017, the revenue of the fresh and live foodstuffs business amounted to HK$181,685,000, representing a decrease of 15.4% as compared to that for the corresponding period last year. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, of HK$6,742,000 (30 June 2016: HK$10,925,000), the segment profit was HK$50,942,000, representing a decrease of HK$10,917,000 or 17.6% as compared to that for the corresponding period last year. Avian flu still had an impact on our distribution and sales of live poultry business in the first half of 2017, only few live poultry were imported into Hong Kong. The continuous decrease in the price of live pigs during the first half of the year resulted in a decrease in the profit for the period of the two associates, which are engaged in pig farming and sales of pigs. Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, the service standards of the Group 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 certain contribution to the earnings of the Group.

Property Leasing

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

In the first half of 2017, the property occupancy rate for the property leasing business of the Group was 92.6%, similar to that for the corresponding period last year. Revenue was HK$9,884,000, a decrease of 5.0% as compared to that for the corresponding period last year. Due to the decrease in rental income and increase in operating costs, the segment profit amounted to HK$6,643,000, a decrease of 14.0% as compared to that for the corresponding period last year. In addition, the property market in Hong Kong continues to improve, the value of properties in Hong Kong held by the Group increased and net valuation gains on investment properties of HK$14,230,000 (30 June 2016: HK$100,000) were recorded for the period.

Yellow Dragon

The Group holds a 40% interest in an associate, Yellow Dragon.

In the first half of 2017, Yellow Dragon recorded a sales volume of 201,432 tonnes of its major product, corn starch, an increase of 23.1% as compared to that for the corresponding period last year. Product selling prices dropped during the period. Revenue was HK$648,826,000, an increase of 4.6% as compared to that for the corresponding period last year. Due to the increase in sales volume and decrease in purchase cost of raw materials, gross profit turned from a loss to a profit. However, a loss from operation was recorded after deducting distribution costs, administrative expenses and finance costs, and a net profit of HK$43,586,000 was recorded mainly due to the income from government grants. Starting from July 2017, the government of Jilin Province will no longer provide processing subsidies for corn processing enterprises. Together with low demand of product, Yellow Dragon's operation is expected to be challenging in the second half of the year and in comparing with the first half year's result, the net profit for the year will be substantially decreased.

FINANCIAL POSITION

As at 30 June 2017, the Group's total assets and total liabilities amounted to HK$2,908,572,000 and HK$368,570,000, representing an increase of HK$54,224,000 and a decrease HK$14,988,000 respectively when compared with the positions at the end of 2016. Net current assets increased from HK$1,140,721,000 at the end of 2016 to HK$1,182,292,000. The current ratio (current assets divided by current liabilities) increased from 4.3 at the end of 2016 to 4.5.

Liquidity and Financial Resources

The Group's cash and bank balances was HK$741,847,000 as at 30 June 2017, representing a decrease of 4.6% when compared with the position at the end of 2016, of which 53.2% was denominated in United States Dollars, 19.2% was denominated in Renminbi while the remaining balance was denominated in Hong Kong Dollars. Interest income decreased from HK$6,489,000 for the corresponding period last year to HK$4,737,000 for the period.

As at 30 June 2017, the Group had outstanding loans from a related company denominated in United States Dollars equivalent to HK$39,000,000 (31 December 2016: HK$42,900,000), 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 2016: 3-month LIBOR + 1.3%).

As at 30 June 2017, 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 -29.6% (31 December 2016: -31.9%).

As at 30 June 2017, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK$234,425,000, of which HK$113,679,000 was utilised and HK$120,746,000 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 the first half of 2017 amounted to HK$7,407,000 (30 June 2016: HK$3,246,000). Capital commitments outstanding at 30 June 2017 not provided for in the financial statements amounted to HK$65,012,000 (31 December 2016: HK$3,371,000), mainly for the construction of a new production line in Zhongshan. It is expected that the capital expenditure for 2017 will be approximately HK$29,000,000.

Acquisitions and Disposals of Investments

The Group had no material acquisitions and disposals of investments during the first half of 2017.

Pledge of Assets

As at 30 June 2017, 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$7,185,000 (31 December 2016: HK$7,555,000). In addition, as at 30 June 2017, the Group was required to place at designated bank accounts amounting to HK$1,238,000 (31 December 2016: HK$1,809,000) for potential default in payment of construction costs payables. Other than the above, none of the assets of the Group was pledged.

Litigation

In 2013, a claim was filed by a third party in the PRC against a subsidiary of the Group to recover an outstanding trade debt and a penalty for non-payment (collectively referred to as the "Claim"), and the High Court of Guangdong Province made a judgment in April 2015 that the subsidiary was ordered to repay the Claim. The amount of the Claim was fully paid in July 2015. On 24 March 2017, the Group received a summons from the Court of Zhongshan City in respect of another claim filed by the third party in the PRC against the subsidiary to request a further compensation of approximately RMB2,892,000 (equivalent to HK$3,332,000) for its losses arising from the aforementioned matter. Court hearing was held on 12 May 2017, and the Court of Zhongshan City ruled on 8 June 2017 that the claim filed by the third party in the PRC was rejected. Accordingly, no provision has been made in the financial statements.

Contingent Liabilities

As at 30 June 2017, 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 Dollar 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 continuous fluctuation of the Renminbi against the United States Dollar, the Group has enhanced research and monitoring of the foreign exchange market 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 30 June 2017, the Group had a total of 1,114 full-time employees, an increase of 23 from 1,091 at the end of 2016. 195 employees were based in Hong Kong and 919 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 2017, 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 and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members.

PROSPECTS

Although the current global economy has shown signs of recovery, the momentum for economic turnaround remains weak. The slowing down of growth of global trade and the trend of de-globalization in certain western developed economies has added more uncertainties to global economy, which in turn made certain impacts on the Group's profitability. As for the tinplating business, the Group will vigorously implement innovative development strategies by increasing the investment in technological innovation and promoting actively the commercialised application of the innovative outcomes in the market, aiming to secure a solid customer base and maintain stable sales volume through the implementation of differentiated marketing strategies. As for the fresh and live foodstuffs business, the Group aims to further strengthen the foundation for business development through broadening the sales channels for its wholesale and retail trade business and targets to commence its acquisition activities and import and export trading business via the company to be established in the mainland China, so as to constantly enhance its supply chain management and develop new profit growth points. Leveraging on our solid financial condition and sound operational strategies, we will make further efforts and seize every opportunity for development and strategic cooperation, achieving stable operating results for the Group.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2017, which have been reviewed by the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2017 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2017	*2016*
	Note	**$'000**	$'000
Revenue	3	**1,053,749**	1,127,125
Cost of sales		**(972,624)**	(1,036,633)
Gross profit		**81,125**	90,492
Other revenue	4	**10,079**	13,056
Other net (losses)/gains	5	**(11,607)**	1,798
Distribution costs		**(26,978)**	(31,629)
Administrative expenses		**(49,291)**	(46,521)
Other operating expenses		**(344)**	(1,060)
Profit from operations		**2,984**	26,136
Net valuation gains on investment properties	10(c)	**14,230**	100
Finance costs	6(a)	**(489)**	(930)
Share of profits of associates		**24,176**	11,417
Profit before taxation	6	**40,901**	36,723
Income tax	7	**1,266**	(2,555)
Profit for the period		**42,167**	34,168
Attributable to:			
Equity shareholders of the Company		**45,689**	36,061
Non-controlling interests		**(3,522)**	(1,893)
Profit for the period		**42,167**	34,168
Interim dividend	8(a)	**9,076**	9,076
Earnings per share			
Basic	9(a)	**5.0 cents**	4.0 cents
Diluted	9(b)	**5.0 cents**	4.0 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	*2016*
	$'000	$'000
Profit for the period	**42,167**	34,168
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	**46,116**	(31,778)
– associates outside Hong Kong	**9,362**	(5,473)
– tax (expense)/benefit related to a subsidiary outside Hong Kong	**(1,205)**	804
Net-of-tax amount	**54,273**	(36,447)
Total comprehensive income for the period	**96,440**	(2,279)
Attributable to:		
Equity shareholders of the Company	**96,248**	2,157
Non-controlling interests	**192**	(4,436)
Total comprehensive income for the period	**96,440**	(2,279)

Consolidated Statement of Financial Position

At 30 June 2017

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2017* **Unaudited** **$'000**	*At 31 December 2016* Audited $'000
Non-current assets			
Investment properties	10	**404,048**	384,826
Other property, plant and equipment	10	**581,541**	604,058
Interests in leasehold land held for own use under operating leases		**102,012**	100,646
		1,087,601	1,089,530
Interest in associates		**296,821**	267,774
Deposits and prepayments		**539**	5,244
Deferred tax assets		**488**	232
		1,385,449	1,362,780
Current assets			
Inventories	11	**361,073**	240,796
Trade and other receivables, deposits and prepayments	12	**418,455**	470,856
Current tax recoverable		**510**	495
Restricted deposits		**1,238**	1,809
Cash and bank balances	13	**741,847**	777,612
		1,523,123	1,491,568
Current liabilities			
Trade and other payables	14	**280,952**	289,205
Loans from a related company	15	**39,000**	42,900
Current tax payable		**20,879**	18,742
		340,831	350,847
Net current assets		**1,182,292**	1,140,721
Total assets less current liabilities		**2,567,741**	2,503,501
Non-current liabilities			
Deferred tax liabilities		**27,739**	32,711
Net assets		**2,540,002**	2,470,790
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**1,919,333**	1,850,313
Total equity attributable to equity shareholders of the Company		**2,378,984**	2,309,964
Non-controlling interests		**161,018**	160,826
Total equity		**2,540,002**	2,470,790

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 2017 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong 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 Hong Kong Companies Ordinance.

2. Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. 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 in the interim financial report.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June	*Tinplating*		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment revenue	**862,180**	901,993	**181,685**	214,731	**9,884**	10,401	**1,053,749**	1,127,125
Reportable segment (loss)/profit	**(41,193)**	(25,976)	**50,942**	61,859	**6,643**	7,726	**16,392**	43,609
Impairment of other property, plant and equipment	**(4,572)**	-	**-**	-	**-**	-	**(4,572)**	-
As at 30 June/ 31 December								
Reportable segment assets (including interest in associates)	**1,839,349**	1,908,674	**300,925**	277,080	**405,238**	385,776	**2,545,512**	2,571,530
Reportable segment liabilities	**297,501**	300,496	**18,571**	32,062	**43,081**	41,310	**359,153**	373,868

3. Revenue and segment reporting (Continued)

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

	Six months ended 30 June	
	2017	*2016*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**16,392**	43,609
Unallocated head office and corporate income and expenses	**(6,666)**	(6,548)
Net valuation gains on investment properties	**14,230**	100
Finance costs	**(489)**	(930)
Share of profit of an associate not attributable to any segment	**17,434**	492
Consolidated profit before taxation	**40,901**	36,723

	At 30 June 2017	*At 31 December 2016*
	$'000	$'000
Assets		
Reportable segment assets	**2,545,512**	2,571,530
Interest in an associate not attributable to any segment	**209,243**	185,733
Unallocated head office and corporate assets	**153,817**	97,085
Consolidated total assets	**2,908,572**	2,854,348
Liabilities		
Reportable segment liabilities	**359,153**	373,868
Unallocated head office and corporate liabilities	**9,417**	9,690
Consolidated total liabilities	**368,570**	383,558

4. Other revenue

	Six months ended 30 June	
	2017	*2016*
	$'000	$'000
Interest income	**4,737**	6,489
Subsidies received	**2,412**	4,530
Others	**2,930**	2,037
	10,079	13,056

5. Other net (losses)/gains

	Six months ended 30 June	
	2017	*2016*
	$'000	$'000
Net realised and unrealised exchange (loss)/gain	**(6,918)**	1,693
Impairment losses on other property, plant and equipment (note 10(b))	**(4,572)**	-
Others	**(117)**	105
	(11,607)	1,798

6. Profit before taxation

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

	Six months ended 30 June	
	2017	*2016*
	$'000	$'000
(a) Finance costs		
Interest on bank borrowings	**-**	220
Interest on loans from a related company	**489**	710
	489	930
(b) Staff costs		
Net contributions to defined contribution retirement plans	**6,621**	6,656
Salaries, wages and other benefits	**76,464**	69,051
	83,085	75,707
(c) Other items		
Amortisation of land lease premium	**1,691**	1,777
Depreciation	**42,752**	50,790
Operating lease charges	**3,784**	3,966
Rentals receivable from investment properties less direct outgoings of $493,000 (30 June 2016: $302,000)	**(9,391)**	(10,099)

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	*Six months ended 30 June* ***2017*** **$'000**	*2016* $'000
Current tax – Hong Kong			
Provision for the period		**5,087**	6,081
Current tax – the People's Republic of China (the "PRC")			
Provision for the period		**704**	575
Deferred tax			
Origination and reversal of temporary differences		**(7,057)**	(4,101)
	(i)	**(1,266)**	2,555

Notes:

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 June 2017. Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.

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

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

8. Dividends

(a) ***Dividends payable to equity shareholders of the Company attributable to the interim period:***

	Six months ended 30 June	
	2017	*2016*
	\$'000	\$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2016: 1.0 cent) per ordinary share	**9,076**	9,076

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:***

	Six months ended 30 June	
	2017	*2016*
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 3.0 cents (30 June 2016: 1.0 cent) per ordinary share	**27,228**	9,076

9. Earnings per share

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

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to ordinary equity shareholders of the Company of \$45,689,000 (30 June 2016: \$36,061,000) and the weighted average number of 907,593,000 (30 June 2016: 907,593,000) ordinary shares in issue during the period.

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

There were no diluted potential shares in existence during the six months ended 30 June 2017 and 2016.

10. Investment properties and other property, plant and equipment

(a) Acquisitions and transfers

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of $7,407,000 (30 June 2016: $3,246,000). Also, the Group transferred construction in progress with a carrying amount of $3,465,000 (30 June 2016: $910,000) to other property, plant and equipment upon completion.

(b) Impairment losses

During the six months ended 30 June 2017, an old production line in the tinplating segment was dismantled for the construction of a new producing line. The Group assessed the recoverable amount of the old production line and as a result the carrying amount of the old production line was written down to its recoverable amount of $5,634,000. An impairment loss of $4,572,000 was recognised in "other net losses". The estimate of recoverable amount was based on the old production line's fair value less costs of disposal, using cost approach by reference to recent purchase price of similar assets, adjusted for differences such as conditions, utility and age. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

(c) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2017 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 2016 valuations. As a result of the update, a net gain of $14,230,000 (30 June 2016: $100,000) has been recognised in profit or loss for the period.

11. Inventories

	At 30 June 2017	*At 31 December 2016*
	$'000	$'000
Raw materials, spare parts and consumables	**168,140**	119,184
Work in progress	**57,720**	27,807
Finished goods	**135,213**	93,805
	361,073	240,796

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:

	At 30 June 2017	*At 31 December 2016*
	$'000	$'000
Within 1 month	**268,388**	360,977
1 to 3 months	**12,566**	10,873
Over 3 months	**933**	2,896
	281,887	374,746

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 bank balances

	At 30 June 2017	*At 31 December 2016*
	$'000	$'000
Deposits with banks	**284,000**	232,440
Cash at bank and in hand	**457,847**	545,172
Cash and bank balances in the consolidated statement of financial position	**741,847**	777,612
Less: Bank deposits with more than three months of maturity when placed	**(156,000)**	(212,940)
Cash and cash equivalents in the condensed consolidated cash flow statement	**585,847**	564,672

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:

	At 30 June 2017	*At 31 December 2016*
	$'000	$'000
Due within 1 month or on demand	**98,409**	102,873
Due after 1 month but within 3 months	**65,042**	56,666
	163,451	159,539

15. Loans from a related company

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% (31 December 2016: 3-month LIBOR + 1.3%) 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 six months ended 30 June 2017.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2017, 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 2017 of HK1.0 cent per share (2016: HK1.0 cent per share). The interim dividend will be paid on Wednesday, 25 October 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, 4 October 2017.

Closure of Register of Members

The register of members of the Company will be closed on Tuesday, 3 October 2017 and Wednesday, 4 October 2017. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 September 2017.

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 2017. 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, 29 August 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.