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GDH

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 2017

Financial highlights for the year ended 31 December

	2017	2016	
	HK$'000	HK$'000	Change
Revenue	**2,186,010**	2,246,114	-2.7%
Profit from operations	**5,522**	84,302	-93.4%
Profit attributable to shareholders	**65,797**	108,484	-39.3%
Earnings per share – Basic	**HK 7.2 cents**	HK 12.0 cents	-40.0%
Dividend per share			
Interim	**HK 1.0 cent**	HK 1.0 cent	
Proposed final	**HK 3.0 cents**	HK 3.0 cents	
	HK 4.0 cents	HK 4.0 cents	0.0%

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$65,797,000 in 2017, representing a decrease of 39.3% compared with HK$108,484,000 in 2016. The basic earnings per share was HK 7.2 cents, representing a decrease of 40.0% from HK 12.0 cents in 2016.

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 2017. The abovementioned final dividend for 2017, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 27 June 2018.

Business Review

In 2017, the Group's consolidated revenue was HK$2,186,010,000, representing a decrease of HK$60,104,000 or 2.7% from HK$2,246,114,000 in 2016. Profit from operations was HK$5,522,000, representing a decrease of HK$78,780,000 or 93.4% from HK$84,302,000 in 2016.

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 2017 decreased by 68,839 tonnes, representing a decrease of 20.7% as compared to that in 2016. Selling price of tinplate products increased as compared to that in 2016 due to the increase in prices of raw materials of tinplates. The revenue was HK$1,781,285,000, a decrease of HK$39,919,000 or 2.2% as compared to that in 2016. The segment loss was HK$86,334,000, an increase of HK$76,859,000 from the segment loss of HK$9,475,000 in 2016.

As to the fresh and live foodstuffs business, avian flu still had an impact on our distribution and sales of live poultry business in 2017. Except for a small amount of silky fowl, no live poultry were imported into Hong Kong by the Group throughout the year. For the live pigs business, with the increased supply of live pigs from Mainland China, the price of live pigs decreased as compared to that in 2016. While the Group's overall market share in the live pigs supply into Hong Kong was maintained at 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$22,827,000 compared to that in 2016.

In respect of the property leasing business, the rental income in 2017 increased by HK$185,000 compared to that in 2016. However, the increase in operating expenses led to a decrease of HK$391,000 in segment profit compared to that in 2016. During the year, the value of the properties held by the Group increased and valuation gains on investment properties of HK$20,271,000 (2016: HK$3,738,000) were recorded.

For the associates, Yellow Dragon Food Industry Co., Ltd. recorded a net profit of HK$34,634,000 in 2017 as a result of government grants income. On the other hand, despite the pullback in the price of live pigs in 2017, the two associates engaging in the pig farming and sales of pigs still recorded a profit, contributing the share of profits from these two associates with a total of HK$9,305,000 to the Group.

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-globalisation in certain western developed economies have added more uncertainties to global economy, which in turn made certain impacts on the Group's profitability. In respect of 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 companies newly established in 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.

Tan Yunbiao
Chairman

Hong Kong, 27 March 2018

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 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 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 81.5% of the Group's revenue. In 2017, with the impact of excess capacity in the industry and low demand of downstream business, the Group produced 258,041 tonnes of tinplate products, representing a decrease of 19.1% as compared to that in 2016. Among which, Zhongyue Tinplate and Zhongyue Posco produced 171,152 tonnes and 86,889 tonnes respectively, a decrease of 7.8% and 34.9% respectively as compared to that in 2016. In addition, the Group sold 263,883 tonnes of tinplate products, a decrease of 20.7% as compared to that in 2016, of which, Zhongyue Tinplate and Zhongyue Posco sold 176,892 tonnes and 86,991 tonnes respectively, a decrease of 7.9% and 38.1% respectively as compared to that in 2016. The revenue was HK$1,781,285,000, a decrease of HK$39,919,000 or 2.2% as compared to that in 2016. The segment loss was HK$86,334,000, an increase of HK$76,859,000 from the segment loss of HK$9,475,000 in 2016.

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 would 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 2017, Guangnan Hong established two wholly-owned subsidiaries in Mainland China as a platform to expand the new fresh and live foodstuffs business.

In 2017, the revenue of the fresh and live foodstuffs business amounted to HK$384,021,000, representing a decrease of 5.0% as compared to that in 2016. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, of HK$9,305,000 (2016: HK$21,495,000), the segment profit was HK$95,836,000, representing a decrease of HK$22,827,000 or 19.2% as compared to that in 2016. Avian flu still had an impact on our distribution and sales of live poultry business in 2017. Except for a small amount of silky fowl, no live poultry were imported into Hong Kong by the Group throughout the year. The decrease in the price of live pigs for the year compared to that in 2016 resulted in a decrease in the profit for the year 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 2017, the property occupancy rate for the property leasing business of the Group was 93.3%, representing an increase of 1.2 percentage points as compared to that in 2016. Revenue was HK$20,704,000, an increase of 0.9% as compared to that in 2016. Although there was an increase in rental income, the operating expenses also increased, and the segment profit amounted to HK$14,432,000, a decrease of 2.6% as compared to that in 2016. In addition, the property market in Hong Kong continues to improve, the value of properties in Hong Kong held by the Group increased and valuation gains on investment properties of HK$20,271,000 (2016: HK$3,738,000) 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 2017, Yellow Dragon recorded a sales volume of 385,582 tonnes of corn starch, its major product, representing an increase of 6.0% as compared to that in 2016. However, product selling prices dropped during the year. Revenue amounted to HK$1,407,496,000, an increase of 1.7% as compared to that in 2016. Due to the increase in sales volume and decrease in purchase cost of raw materials, gross profit turned from a loss to a profit. Although the gross profit could not cover the operating expenses, a net profit of HK$34,634,000 was recorded mainly due to the income from government grants. As the Company holds a 40% interest in Yellow Dragon, the Group's share of profit was HK$13,854,000 (2016: HK$9,050,000).

FINANCIAL POSITION

As at 31 December 2017, the Group's total assets and total liabilities amounted to HK$3,003,711,000 and HK$393,338,000, representing an increase of HK$149,363,000 and HK$9,780,000 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$1,258,040,000. The current ratio (current assets divided by current liabilities) increased from 4.3 at the end of 2016 to 4.4.

Liquidity and Financial Resources

The Group's cash and bank balances as at 31 December 2017 was HK$821,783,000, representing an increase of 5.7% when compared with the position at the end of 2016, of which 41.3% was denominated in Renminbi, 30.8% was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. Interest income decreased from HK$10,406,000 in 2016 to HK$10,241,000 in 2017.

As at 31 December 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 31 December 2017, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less restricted and pledged deposits and cash and bank balances) of the Group by total equity attributable to equity shareholders of the Company, was -32.8% (31 December 2016: -31.9%).

As at 31 December 2017, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK$288,986,000, of which HK$169,549,000 was utilised and HK$119,437,000 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 2017 amounted to HK$17,512,000 (2016: HK$5,826,000). Capital commitments outstanding at 31 December 2017 not provided for in the financial statements amounted to HK$70,194,000 (31 December 2016: HK$3,371,000), mainly for the construction of a new production line of Zhongyue Tinplate. It is expected that the capital expenditure for 2018 will be approximately HK$107,000,000.

Acquisitions and Disposals of Investments

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

Pledge of Assets

As at 31 December 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$7,636,000 (31 December 2016: HK$7,555,000). In addition, as at 31 December 2017, deposits at bank of HK$22,118,000 (31 December 2016: HK$Nil) were pledged as a security for bills payable. As at 31 December 2016, the Group was required to place deposits at designated bank accounts amounting to HK$1,809,000 for potential default in payment of construction cost 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 People's Republic of China (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 judgement 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 approximately HK$3,460,000) 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 31 December 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 Dollars 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 view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary.

The Group's interest rate risk arises primarily from interest-bearing borrowings, restricted and pledged deposits and cash and bank balances. Borrowings and lendings issued 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 2017, the Group had a total of 1,129 full-time employees, an increase of 38 from 1,091 at the end of 2016. 209 employees were based in Hong Kong and 920 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 the staff members.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017

The Board announces the consolidated results of the Group for the year ended 31 December 2017, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	***2017*** **$'000**	*2016* $'000
Revenue	3	**2,186,010**	2,246,114
Cost of sales		**(2,033,834)**	(2,029,143)
Gross profit		**152,176**	216,971
Other revenue	4	**18,070**	19,930
Other net (losses)/gains	5	**(16,287)**	5,363
Distribution costs		**(58,017)**	(61,262)
Administrative expenses		**(89,948)**	(95,163)
Other operating expenses		**(472)**	(1,537)
Profit from operations		**5,522**	84,302
Valuation gains on investment properties	10(c)	**20,271**	3,738
Finance costs	6(a)	**(1,016)**	(1,449)
Share of profits of associates		**23,159**	30,545
Profit before taxation	6	**47,936**	117,136
Income tax	7	**7,864**	(7,766)
Profit for the year		**55,800**	109,370
Attributable to:			
Equity shareholders of the Company		**65,797**	108,484
Non-controlling interests		**(9,997)**	886
Profit for the year		**55,800**	109,370
Dividends payable to equity shareholders of the Company attributable to the year:	8(a)		
Interim dividend declared and paid during the year		**9,076**	9,076
Final dividend proposed after the end of the reporting period		**27,228**	27,228
		36,304	36,304
Earnings per share			
Basic	9(a)	**7.2 cents**	12.0 cents
Diluted	9(b)	**7.2 cents**	12.0 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	2017	*2016*
	$'000	$'000
Profit for the year	**55,800**	109,370
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	**104,188**	(103,290)
- associates outside Hong Kong	**20,074**	(18,367)
- tax (expense)/benefit related to a subsidiary outside Hong Kong	**(2,705)**	2,653
Net-of-tax amount	**121,557**	(119,004)
Total comprehensive income for the year	**177,357**	(9,634)
Attributable to:		
Equity shareholders of the Company	**179,189**	(2,136)
Non-controlling interests	**(1,832)**	(7,498)
Total comprehensive income for the year	**177,357**	(9,634)

Consolidated Statement of Financial Position
At 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Investment properties	10(c)	**416,507**	384,826
Other property, plant and equipment		**564,350**	604,058
Interests in leasehold land held for own use under operating leases		**104,129**	100,646
	10	**1,084,986**	1,089,530
Interest in associates		**286,261**	267,774
Deposits and prepayments		**2,122**	5,244
Deferred tax assets		**219**	232
		1,373,588	1,362,780
Current assets			
Inventories	11	**274,453**	240,796
Trade and other receivables, deposits and prepayments	12	**510,497**	470,856
Current tax recoverable		**1,272**	495
Restricted and pledged deposits		**22,118**	1,809
Cash and bank balances	13	**821,783**	777,612
		1,630,123	1,491,568
Current liabilities			
Trade and other payables	14	**320,977**	289,205
Loans from a related company	15	**39,000**	42,900
Current tax payable		**12,106**	18,742
		372,083	350,847
Net current assets		**1,258,040**	1,140,721
Total assets less current liabilities		**2,631,628**	2,503,501
Non-current liabilities			
Deferred tax liabilities		**21,255**	32,711
Net assets		**2,610,373**	2,470,790
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**1,993,198**	1,850,313
Total equity attributable to equity shareholders of the Company		**2,452,849**	2,309,964
Non-controlling interests		**157,524**	160,826
Total equity		**2,610,373**	2,470,790

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 2016 annual financial statements, except for the accounting policy changes that are reflected in the 2017 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 2017 and 2016 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 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 and will deliver the financial statements for the year ended 31 December 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the 2017 annual financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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*	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**1,781,285**	1,821,204	**384,021**	404,391	**20,704**	20,519	**2,186,010**	2,246,114
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Reportable segment revenue	**1,781,285**	1,821,204	**384,021**	404,391	**20,704**	20,519	**2,186,010**	2,246,114
Reportable segment (loss)/profit	**(86,334)**	(9,475)	**95,836**	118,663	**14,432**	14,823	**23,934**	124,011
Reportable segment assets	**1,794,179**	1,908,674	**285,932**	277,080	**417,699**	385,776	**2,497,810**	2,571,530
(including interest in associates)	**-**	-	**94,007**	82,041	**-**	-	**94,007**	82,041
Reportable segment liabilities	**316,152**	300,496	**25,736**	32,062	**44,458**	41,310	**386,346**	373,868
Depreciation and amortisation for the year	**87,855**	102,665	**293**	178	**208**	189	**88,356**	103,032
Impairment losses on other property, plant and equipment	**(5,653)**	-	**-**	-	**-**	-	**(5,653)**	-
Interest income	**7,943**	10,166	**24**	240	**-**	-	**7,967**	10,406
Write-down of inventories	**5,406**	4,753	**-**	-	**-**	-	**5,406**	4,753
Additions to non-current segment assets during the year	**13,158**	5,774	**755**	851	**-**	-	**13,913**	6,625

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

	2017	*2016*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**23,934**	124,011
Unallocated head office and corporate income and expenses	**(9,107)**	(18,214)
Valuation gains on investment properties	**20,271**	3,738
Finance costs	**(1,016)**	(1,449)
Share of profit of an associate not attributable to any segment	**13,854**	9,050
Consolidated profit before taxation	**47,936**	117,136

3. Revenue and segment reporting (Continued)

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

	2017	*2016*
	$'000	$'000
Assets		
Reportable segment assets	**2,497,810**	2,571,530
Interest in an associate not attributable to any segment	**192,254**	185,733
Unallocated head office and corporate assets	**313,647**	97,085
Consolidated total assets	**3,003,711**	2,854,348
Liabilities		
Reportable segment liabilities	**386,346**	373,868
Unallocated head office and corporate liabilities	**6,992**	9,690
Consolidated total liabilities	**393,338**	383,558

(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***	
	2017	*2016*	***2017***	*2016*
	$'000	$'000	**$'000**	*$'000*
Hong Kong (place of domicile)	**500,770**	506,511	**243,937**	223,161
Mainland China	**823,349**	966,793	**1,129,432**	1,139,387
Asian countries (excluding Mainland China and Hong Kong)	**540,702**	411,600	**-**	-
Other countries	**321,189**	361,210	**-**	-
	1,685,240	1,739,603	**1,129,432**	1,139,387
	2,186,010	2,246,114	**1,373,369**	1,362,548

4. Other revenue

	2017 **$'000**	*2016* $'000
Interest income	**10,241**	10,406
Subsidies received	**4,029**	6,140
Others	**3,800**	3,384
	18,070	19,930

5. Other net (losses)/gains

	2017 **$'000**	*2016* $'000
Net realised and unrealised exchange (loss)/gain	**(10,099)**	5,270
Impairment losses on other property, plant and equipment (note 10(b))	**(5,653)**	-
Net (loss)/gain on disposal of property, plant and equipment	**(535)**	93
	(16,287)	5,363

6. Profit before taxation

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

		2017	*2016*
		$'000	$'000
(a)	**Finance costs**		
	Interest on bank borrowings	**-**	219
	Interest on loans from a related company	**1,016**	1,230
		1,016	1,449
(b)	**Staff costs**		
	Net contributions to defined contribution retirement plans	**14,283**	13,216
	Salaries, wages and other benefits	**144,611**	140,567
		158,894	153,783
(c)	**Other items**		
	Cost of inventories sold (note)	**2,013,209**	2,009,285
	Auditors' remuneration	**5,360**	5,189
	Depreciation	**84,971**	99,637
	Amortisation of land lease premium	**3,448**	3,495
	Write-down of inventories	**5,406**	4,753
	Operating lease charges	**7,960**	7,963
	Rentals receivable from investment properties less direct outgoings of $936,000 (2016: $919,000)	**(19,768)**	(19,600)

Note: Cost of inventories sold includes $172,919,000 (2016: $178,892,000) 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	*2017* **$'000**	*2016* $'000
Current tax – Hong Kong			
Provision for the year		**10,514**	11,679
Over-provision in respect of prior years		**(31)**	(38)
		10,483	11,641
Current tax – the People's Republic of China ("PRC")			
Provision for the year		**2,478**	1,096
Over-provision in respect of prior years		**(5,266)**	(4,973)
		(2,788)	(3,877)
Deferred tax			
Origination and reversal of temporary differences		**(15,559)**	2
	(i)	**(7,864)**	7,766

Notes:

(i) The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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 2016-17 subject to a maximum reduction of $20,000 for each company (2016: a maximum reduction of $20,000 was granted for the year of assessment 2015-16 and was taken into account in calculating the provision for 2016). 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:

	2017	*2016*
	$'000	$'000
Interim dividend declared and paid of 1.0 cent (2016: 1.0 cent) per ordinary share	**9,076**	9,076
Final dividend proposed after the end of the reporting period of 3.0 cents (2016: 3.0 cents) per ordinary share	**27,228**	27,228
	36,304	36,304

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:

	2017	*2016*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents (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 is based on the profit attributable to ordinary equity shareholders of the Company of $65,797,000 (2016: $108,484,000) and 907,593,000 (2016: 907,593,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 December 2017 and 2016.

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 $17,512,000 (2016: $5,826,000). Also, the Group transferred construction in progress with a carrying amount of $4,281,000 (2016: $869,000) to other property, plant and equipment upon completion.

(b) During the year ended 31 December 2017, an old production line in the tinplating segment was dismantled for the construction of a new production 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 $4,790,000. An impairment loss of $5,653,000 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 (fair value measured using significant unobservable inputs) as defined in HKFRS 13, *Fair value measurement*.

(c) Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of $242,411,000 (2016: $222,140,000) were revalued at 31 December 2017 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 $174,096,000 (2016: $162,686,000) were revalued at 31 December 2017 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 revaluations, gains of $20,271,000 (2016: $3,738,000) have been recognised in the consolidated income statement.

11. Inventories

	2017	*2016*
	$'000	$'000
Raw materials, spare parts and consumables	**129,572**	119,184
Work in progress	**56,275**	27,807
Finished goods	**88,606**	93,805
	274,453	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 related companies (which are included in trade and other receivables, deposits and prepayments), net of allowance for doubtful debts, is as follows:

	2017	*2016*
	$'000	$'000
Within 1 month	**309,215**	360,977
1 to 3 months	**8,784**	10,873
Over 3 months	**30**	2,896
	318,029	374,746

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

	2017	*2016*
	$'000	$'000
Deposits with banks	**287,140**	232,440
Cash at bank and in hand	**534,643**	545,172
Cash and bank balances in the consolidated statement of financial position	**821,783**	777,612

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:

	2017	*2016*
	$'000	$'000
Due within 1 month or on demand	**84,097**	102,873
Due after 1 month but within 3 months	**120,109**	56,666
Due after 3 months but within 1 year	**13,255**	-
	217,461	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% (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 year ended 31 December 2017.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2017 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 2018 Annual General Meeting of the Company ("AGM") will be held on Wednesday, 6 June 2018 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, 31 May 2018.

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2016: HK 1.0 cent) per share was paid on 25 October 2017. The Board recommends the payment of a final dividend of HK 3.0 cents (2016: HK 3.0 cents) per share for the year ended 31 December 2017. The proposed final dividend, if approved at the AGM, is expected to be paid on Wednesday, 27 June 2018 to the shareholders whose names appear on the register of members of the Company on Thursday, 14 June 2018.

The register of members will be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018 (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 Monday, 11 June 2018.

By Order of the Board
Tan Yunbiao
Chairman

Hong Kong, 27 March 2018

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, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.