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 2018

Unaudited financial highlights for the six months ended 30 June

	2018	2017	
	HK$'000	HK$'000	Change
Revenue	**1,442,589**	1,053,749	36.9%
Profit from operations	**18,348**	2,984	514.9%
Profit attributable to shareholders	**73,689**	45,689	61.3%
Basic earnings per share	**HK 8.1 cents**	HK 5.0 cents	62.0%
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 2018, the Group's unaudited consolidated profit attributable to shareholders was HK$73,689,000, representing an increase of 61.3% compared with HK$45,689,000 for the corresponding period last year. The basic earnings per share was HK8.1 cents, an increase of 62.0% from HK5.0 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 2018 of HK1.0 cent per share (2017: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2018, the Group's consolidated revenue was HK$1,442,589,000, representing an increase of HK$388,840,000 or 36.9% from HK$1,053,749,000 for the corresponding period last year. Profit from operations was HK$18,348,000, representing an increase of HK$15,364,000 or 514.9% from HK$2,984,000 for the corresponding period last year.

In respect of our tinplating business, the industry remained stable but weak and excess capacity has not been fundamentally changed. However, the demand from some downstream business increased, while sales volume of tinplate products in the first half of 2018 increased by 31,359 tonnes, representing an increase of 23.8% 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. The revenue of the tinplating business increased by HK$372,796,000 or 43.2% from HK$862,180,000 for the corresponding period last year to HK$1,234,976,000 for the period. The segment loss was HK$22,047,000, a decrease of HK$19,146,000 from the segment loss of HK$41,193,000 for the corresponding period last year.

As to the fresh and live foodstuffs business, avian flu still had an impact on the distribution and sales of live poultry business in the first half of 2018, no live poultry were imported into Hong Kong by the Group for the period. 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 for the corresponding period last year. While the Group's overall market share in the live pigs supply into Hong Kong was maintained at about 45%, 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$19,468,000 from that for the corresponding period last year.

In respect of the property leasing business, the rental income for the first half of 2018 increased by HK$857,000 from that for the corresponding period last year, and the segment profit increased by HK$1,187,000 from that for the corresponding period last year. The value of the investment properties held by the Group increased and valuation gains on investment properties of HK$61,224,000 (30 June 2017: HK$14,230,000) were recorded for the period.

BUSINESS REVIEW (Continued)

For the associates, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") recorded a loss of HK$16,379,000 for the first half of 2018 as a result of the increased purchase cost of raw materials and decreased government grants income. In addition, the significant drop in the price of live pigs in the first half of 2018 led to losses incurred by the two associates which are engaged in pig farming and sales of pigs. The Group's share of losses from these two associates for the period was a total of HK$5,164,000.

Tinplating

Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), while the remaining 34% is held by POSCO Co., Ltd., an internationally renowned iron and steel enterprise. Currently, the annual production capacity of tinplate products and blackplates of the Group is 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 85.6% of the Group's revenue. In the first half of 2018, the Group produced 166,072 tonnes of tinplate products, representing an increase of 24.2% as compared to that for the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 103,259 tonnes and 62,813 tonnes respectively, an increase of 23.1% and 26.0% respectively as compared to that for the corresponding period last year. In addition, the Group sold 162,924 tonnes of tinplate products, an increase of 23.8% as compared to that for the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 101,645 tonnes and 61,279 tonnes respectively, an increase of 21.6% and 27.7% respectively as compared to that for the corresponding period last year. The revenue for the period was HK$1,234,976,000, an increase of 43.2% as compared to that for the corresponding period last year. The segment loss was HK$22,047,000, a decrease of HK$19,146,000 from the segment loss of HK$41,193,000 for the corresponding period last year.

Due to the intense market competition, the Group adjusted the combination of suppliers for sourcing raw materials through increasing the proportion of domestic raw materials procurement, 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 the first half of 2018, the revenue of the fresh and live foodstuffs business amounted to HK$196,872,000, representing an increase of 8.4% as compared to that for the corresponding period last year. Together with the share of losses of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK$5,164,000 (30 June 2017: share of profits of HK$6,742,000), the segment profit was HK$31,474,000, representing a decrease of HK$19,468,000 or 38.2% as compared to that for the corresponding period last year. Avian flu still had an impact on the distribution and sales of live poultry business in the current period, no live poultry were imported into Hong Kong by the Group. The significant drop in the price of live pigs during the first half of the year resulted in a decrease in the commission revenue from the distribution of livestock business and losses were incurred by 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 45%. 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 2018, the property occupancy rate for the property leasing business of the Group was 95.0%, representing an increase of 2.4 percentage points as compared to that for the corresponding period last year. Revenue was HK$10,741,000, an increase of 8.7% as compared to that for the corresponding period last year. The segment profit amounted to HK$7,830,000, an increase of 17.9% as compared to that for the corresponding period last year. In addition, the property market in Hong Kong continues to improve, the value of investment properties in Hong Kong held by the Group increased and valuation gains on investment properties of HK$61,224,000 (30 June 2017: HK$14,230,000) were recorded for the period.

Yellow Dragon

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

In the first half of 2018, Yellow Dragon recorded a sales volume of 189,953 tonnes of corn starch, its major product, representing a decrease of 5.7% as compared to that for the corresponding period last year. However, product selling prices increased during the period. Revenue was HK$855,495,000, an increase of 31.9% as compared to that for the corresponding period last year. Due to the decrease in sales volume, increase in purchase cost of raw materials and significant decrease in government grants income, Yellow Dragon recorded a loss of HK$16,379,000. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK$6,551,000 (30 June 2017: share of profit of HK$17,434,000).

FINANCIAL POSITION

As at 30 June 2018, the Group's total assets and total liabilities amounted to HK$3,112,354,000 and HK$473,999,000, representing an increase of HK$108,643,000 and HK$80,661,000 respectively when compared with the positions at the end of 2017. Net current assets decreased from HK$1,258,040,000 at the end of 2017 to HK$1,248,299,000 as at 30 June 2018. The current ratio (current assets divided by current liabilities) decreased from 4.4 at the end of 2017 to 3.7 as at 30 June 2018.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2018 was HK$713,218,000, representing a decrease of 13.2% when compared with the position at the end of 2017, of which 45.4% was denominated in United States Dollars, 21.9% was denominated in Renminbi while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income increased from HK$4,737,000 for the corresponding period last year to HK$6,809,000 for the period.

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, which were repayable within 1 year and subject to floating interest rate. The annual interest rate was 3-month London Interbank Offered Rate + 1.3%. During the six months ended 30 June 2018, these loans have been fully repaid.

As at 30 June 2018, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less pledged deposits and cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -30.2% (31 December 2017: -32.8%).

As at 30 June 2018, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK$274,072,000, of which HK$191,373,000 was utilised and HK$82,699,000 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 needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2018 amounted to HK$29,902,000 (30 June 2017: HK$7,407,000). Capital commitments outstanding at 30 June 2018 not provided for in the financial statements amounted to HK$42,683,000 (31 December 2017: HK$70,194,000), 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$74,000,000.

Acquisitions and Disposals of Investments

The Group had no material acquisitions and disposals of investments during the first half of 2018.

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. The pledge was expired during the six months ended 30 June 2018. In addition, as at 30 June 2018, deposits at banks of HK$29,014,000 (31 December 2017: HK$22,118,000) and HK$7,732,000 (31 December 2017: HK$Nil) were pledged as securities for bills payable and forward foreign exchange contracts respectively. Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2018, 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. As at 30 June 2018, forward foreign exchange contracts of USD20,000,000 (equivalent to HK$156,000,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2017, no forward foreign exchange contract was held by the Group.

The Group's interest rate risk arises primarily from pledged deposits and cash and cash equivalents. 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 30 June 2018, the Group had a total of 1,096 full-time employees, a decrease of 33 from 1,129 at the end of 2017. 210 employees were based in Hong Kong and 886 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 2018, 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.

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, together with the negative impact of trade war on economic growth, 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.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2018, which have been reviewed by the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2018 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	*2017*
	Note	**$'000**	$'000
Revenue	3	**1,442,589**	1,053,749
Cost of sales		**(1,339,010)**	(972,624)
Gross profit		**103,579**	81,125
Other revenue	4	**7,890**	10,079
Other net losses	5	**(4,213)**	(11,607)
Distribution costs		**(37,326)**	(26,978)
Administrative expenses		**(51,432)**	(49,291)
Other operating expenses		**(150)**	(344)
Profit from operations		**18,348**	2,984
Valuation gains on investment properties	10(c)	**61,224**	14,230
Finance costs	6(a)	**(12)**	(489)
Share of (losses)/profits of associates		**(11,715)**	24,176
Profit before taxation	6	**67,845**	40,901
Income tax	7	**2,151**	1,266
Profit for the period		**69,996**	42,167
Attributable to:			
Equity shareholders of the Company		**73,689**	45,689
Non-controlling interests		**(3,693)**	(3,522)
Profit for the period		**69,996**	42,167
Interim dividend	8(a)	**9,076**	9,076
Earnings per share			
Basic	9(a)	**8.1 cents**	5.0 cents
Diluted	9(b)	**8.1 cents**	5.0 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Profit for the period	**69,996**	42,167
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	**(12,981)**	46,116
– associates outside Hong Kong	**(2,157)**	9,362
– tax benefit/(expense) related to a subsidiary outside Hong Kong	**352**	(1,205)
Net-of-tax amount	**(14,786)**	54,273
Total comprehensive income for the period	**55,210**	96,440
Attributable to:		
Equity shareholders of the Company	**59,780**	96,248
Non-controlling interests	**(4,570)**	192
Total comprehensive income for the period	**55,210**	96,440

Consolidated Statement of Financial Position
At 30 June 2018

(Expressed in Hong Kong dollars)

	Note	***At 30 June 2018*** **Unaudited** **$'000**	*At 31 December 2017* Audited $'000
Non-current assets			
Investment properties	10	**476,197**	416,507
Other property, plant and equipment	10	**556,037**	564,350
Interests in leasehold land held for own use under operating leases		**101,469**	104,129
		1,133,703	1,084,986
Interest in associates		**270,994**	286,261
Deposits and prepayments		**3,668**	2,122
Deferred tax assets		**58**	219
		1,408,423	1,373,588
Current assets			
Inventories	11	**310,130**	274,453
Trade and other receivables, deposits and prepayments	12	**642,125**	510,497
Current tax recoverable		**1,712**	1,272
Pledged deposits		**36,746**	22,118
Cash and cash equivalents	13	**713,218**	821,783
		1,703,931	1,630,123
Current liabilities			
Trade and other payables	14	**446,755**	320,977
Loans from a related company	15	**-**	39,000
Current tax payable		**8,877**	12,106
		455,632	372,083
Net current assets		**1,248,299**	1,258,040
Total assets less current liabilities		**2,656,722**	2,631,628
Non-current liabilities			
Deferred tax liabilities		**18,367**	21,255
Net assets		**2,638,355**	2,610,373
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**2,025,750**	1,993,198
Total equity attributable to equity shareholders of the Company		**2,485,401**	2,452,849
Non-controlling interests		**152,954**	157,524
Total equity		**2,638,355**	2,610,373

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 2018 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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 2017 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 a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* are relevant to the Group's financial statements.

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

HKFRS 9, *Financial instruments*

HKFRS 9 replaces the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. The Group has been impacted by HKFRS 9 in relation to measurement of impairment for financial assets.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model results in earlier recognition of credit losses, but with no material financial impact to the Group.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The application of HKFRS 15 does not have significant impact on how the Group recognises sales of tinplate products, commission income and revenue from sales of fresh and live foodstuffs.

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.

3. Revenue and segment reporting (Continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	*2017*
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or service lines:		
Sales of goods		
– Tinplate products	**1,234,976**	862,180
– Fresh and live foodstuffs	**159,679**	136,381
	1,394,655	998,561
Commission income from the distribution of fresh and live foodstuffs	**37,193**	45,304
Revenue from other sources		
Rental income from property leasing	**10,741**	9,884
	1,442,589	1,053,749
Disaggregation by geographical location of customers:		
Hong Kong (place of domicile)	**243,755**	237,502
Mainland China	**517,580**	377,048
Asian countries (excluding Mainland China and Hong Kong)	**359,837**	304,811
Other countries	**321,417**	134,388
	1,198,834	816,247
	1,442,589	1,053,749

The geographical analysis above includes property rental income, from external customers in Hong Kong and in Mainland China for the six months ended 30 June 2018 of $3,337,000 (30 June 2017: $3,329,000) and $7,404,000 (30 June 2017: $6,555,000) respectively.

3. Revenue and segment reporting (Continued)

(b) 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.

	Tinplating		*Fresh and live foodstuffs*		*Property leasing*		*Total*	
	2018	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
For the six months ended 30 June								
Reportable segment revenue	**1,234,976**	862,180	**196,872**	181,685	**10,741**	9,884	**1,442,589**	1,053,749
Reportable segment (loss)/profit	**(22,047)**	(41,193)	**31,474**	50,942	**7,830**	6,643	**17,257**	16,392
Impairment of other property, plant and equipment	-	(4,572)	-	-	-	-	-	(4,572)
As at 30 June/ 31 December								
Reportable segment assets (including interest in associates)	**1,845,277**	1,794,179	**243,449**	285,932	**477,605**	417,699	**2,566,331**	2,497,810
Reportable segment liabilities	**398,740**	316,152	**24,217**	25,736	**44,878**	44,458	**467,835**	386,346

3. Revenue and segment reporting (Continued)

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

	Six months ended 30 June	
	2018	*2017*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**17,257**	16,392
Unallocated head office and corporate income and expenses	**(4,073)**	(6,666)
Valuation gains on investment properties	**61,224**	14,230
Finance costs	**(12)**	(489)
Share of (loss)/profit of an associate not attributable to any segment	**(6,551)**	17,434
Consolidated profit before taxation	**67,845**	40,901

	At 30 June 2018	*At 31 December 2017*
	$'000	$'000
Assets		
Reportable segment assets	**2,566,331**	2,497,810
Interest in an associate not attributable to any segment	**184,247**	192,254
Unallocated head office and corporate assets	**361,776**	313,647
Consolidated total assets	**3,112,354**	3,003,711
Liabilities		
Reportable segment liabilities	**467,835**	386,346
Unallocated head office and corporate liabilities	**6,164**	6,992
Consolidated total liabilities	**473,999**	393,338

4. Other revenue

	Six months ended 30 June	
	2018	*2017*
	$'000	$'000
Interest income	**6,809**	4,737
Subsidies received	**342**	2,412
Others	**739**	2,930
	7,890	10,079

5. Other net losses

	Six months ended 30 June	
	2018	*2017*
	$'000	$'000
Net realised and unrealised exchange gain/(loss)	**2,110**	(6,918)
Net losses on forward foreign exchange contracts	**(6,295)**	-
Impairment losses on other property, plant and equipment (note 10(b))	**-**	(4,572)
Others	**(28)**	(117)
	(4,213)	(11,607)

6. Profit before taxation

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

	Six months ended 30 June	
	2018	*2017*
	$'000	$'000
(a) Finance costs		
Interest on loans from a related company	**12**	489
(b) Staff costs		
Net contributions to defined contribution retirement plans	**7,635**	6,621
Salaries, wages and other benefits	**87,388**	76,464
	95,023	83,085
(c) Other items		
Amortisation of land lease premium	**1,828**	1,691
Depreciation	**34,344**	42,752
Operating lease charges	**4,116**	3,784
Rentals receivable from investment properties less direct outgoings of $520,000 (30 June 2017: $493,000)	**(10,221)**	(9,391)

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	*Six months ended 30 June* **2018** **$'000**	*2017* $'000
Current tax – Hong Kong			
Provision for the period		**4,469**	5,087
Current tax – the People's Republic of China (the "PRC")			
Provision for the period		**622**	704
Over-provision in respect of prior year		**(4,906)**	-
		(4,284)	704
Deferred tax			
Origination and reversal of temporary differences		**(2,336)**	(7,057)
	(i)	**(2,151)**	(1,266)

Notes:

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018. 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	
	2018	*2017*
	$'000	$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2017: 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	
	2018	*2017*
	$'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 2017: 3.0 cents) per ordinary share	**27,228**	27,228

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to ordinary equity shareholders of the Company of $73,689,000 (30 June 2017: $45,689,000) and 907,593,000 (30 June 2017: 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 2018 and 2017.

10. Investment properties and other property, plant and equipment

(a) Acquisitions and transfers

During the six months ended 30 June 2018, the Group had additions to property, plant and equipment with a cost of $29,902,000 (30 June 2017: $7,407,000). Also, the Group transferred construction in progress with a carrying amount of $211,000 (30 June 2017: $3,465,000) 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 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 $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 (fair value measured using significant unobservable inputs) as defined in HKFRS 13, *Fair value measurement*.

(c) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2018 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 2017 valuations. As a result of the update, valuation gains of $61,224,000 (30 June 2017: $14,230,000) have been recognised in profit or loss for the period.

11. Inventories

	At 30 June 2018 **$'000**	*At 31 December 2017* $'000
Raw materials, spare parts and consumables	**136,957**	129,572
Work in progress	**60,291**	56,275
Finished goods	**112,882**	88,606
	310,130	274,453

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 loss allowance, is as follows:

	At 30 June 2018	*At 31 December 2017*
	$'000	$'000
Within 1 month	**368,791**	309,215
1 to 3 months	**-**	8,784
Over 3 months	**62**	30
	368,853	318,029

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

13. Cash and cash equivalents

	At 30 June 2018	*At 31 December 2017*
	$'000	$'000
Deposits with banks	**340,095**	287,140
Cash at bank and in hand	**373,123**	534,643
Cash and cash equivalents in the consolidated statement of financial position	**713,218**	821,783

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 an associate (which are included in trade and other payables) is as follows:

	At 30 June 2018	*At 31 December 2017*
	$'000	$'000
Due within 1 month or on demand	**284,110**	84,097
Due after 1 month but within 3 months	**16,036**	120,109
Due after 3 months but within 1 year	**38,180**	13,255
	338,326	217,461

15. Loans from a related company

As at 31 December 2017, 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 + 1.3% per annum and repayable within one year.

During the six months ended 30 June 2018, the loans were fully repaid.

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 2018.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2018, 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 2018 of HK1.0 cent per share (2017: HK1.0 cent per share). The interim dividend will be paid on Thursday, 25 October 2018 to the shareholders whose names appear on the register of members of the Company on Friday, 5 October 2018.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 4 October 2018 and Friday, 5 October 2018. 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 Wednesday, 3 October 2018.

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 2018. 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 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.