



廣南(集團)有限公司
GUANGNAN (HOLDINGS) LIMITED

股份代號 Stock Code: 1203

2016

INTERIM REPORT
中期報告



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Corporate Information

(as at 26 August 2016)

BOARD OF DIRECTORS

Executive Directors

TAN Yunbiao (*Chairman and General Manager*)
LAU Kin Man (*Chief Financial Officer*)

Non-Executive Director

LIANG Jianqin

Independent Non-Executive Directors

Gerard Joseph McMAHON
TAM Wai Chu, Maria
LI Kar Keung, Caspar

AUDIT COMMITTEE

Gerard Joseph McMAHON (*Chairman*)
TAM Wai Chu, Maria
LI Kar Keung, Caspar

COMPENSATION COMMITTEE

LI Kar Keung, Caspar (*Chairman*)
Gerard Joseph McMAHON
TAM Wai Chu, Maria

NOMINATION COMMITTEE

TAN Yunbiao (*Chairman*)
Gerard Joseph McMAHON
TAM Wai Chu, Maria
LI Kar Keung, Caspar

COMPANY SECRETARY

LO Wing Suet

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China Limited, Zhongshan Branch
Bank of China Limited, Zhongshan Branch
China Citic Bank Corporation Limited, Zhongshan Branch
The Agricultural Bank of China, Qinhuangdao Shanhaiguankaifaqu Sub-branch
Industrial and Commercial Bank of China Limited, Qinhuangdao Branch Dongqu Sub-branch
Bank of China Limited, Qinhuangdao Branch Shanhaiguan Sub-branch

REGISTERED OFFICE

22/F., Tesbury Centre
No. 24–32 Queen's Road East
Hong Kong
Telephone : (852) 2828 3938
Facsimile : (852) 2583 9288
Website : <http://www.gdguangnan.com>

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE INFORMATION

<i>Place of Listing</i>	Main Board of The Stock Exchange of Hong Kong Limited
<i>Stock Code</i>	1203
<i>Board Lot</i>	2,000 shares
<i>Financial Year End</i>	31 December

SHAREHOLDERS' CALENDAR

<i>Closure of Register of Members</i>	5 October 2016 and 6 October 2016
<i>Interim Dividend Payment Date</i>	HK1.0 cent per share 25 October 2016

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016 \$'000	2015 \$'000	Change
Revenue	1,127,125	1,371,697	-17.8%
Profit from operations	26,136	70,011	-62.7%
Profit attributable to shareholders	36,061	54,015	-33.2%
Basic earnings per share	4.0 cents	6.0 cents	-33.3%
Interim dividend per share	1.0 cent	2.0 cents	-50.0%
	At 30 June 2016 \$'000	At 31 December 2015 \$'000	Change
Total assets	2,925,305	3,140,529	-6.9%
Shareholders' equity	2,323,333	2,330,252	-0.3%
Net asset value per share ¹	\$2.56	\$2.57	-0.4%
Closing market price per share	\$0.85	\$1.03	
Net cash ²	(674,937)	(616,793)	
Gearing ratio ³	-29.1%	-26.5%	

Notes:

1.
$$\frac{\text{Shareholders' equity}}{\text{Number of ordinary shares in issue}}$$

2. Borrowings – cash and cash equivalents

3.
$$\frac{\text{Net cash}}{\text{Shareholders' equity}}$$

Business Review, Management Discussion and Analysis, Prospects and Other Information

RESULTS

For the first half of 2016, the unaudited consolidated profit attributable to shareholders was HK\$36,061,000, representing a decrease of 33.2% compared with HK\$54,015,000 for the corresponding period last year. Basic earnings per share was HK4.0 cents, a decrease of 33.3% from HK6.0 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 2016 of HK1.0 cent per share (2015: HK2.0 cents per share).

BUSINESS REVIEW

In the first half of 2016, mainly due to the impact of unfavourable tinplating business, the Group's consolidated revenue was HK\$1,127,125,000, representing a decrease of HK\$244,572,000 or 17.8% from HK\$1,371,697,000 for the corresponding period last year. Profit from operations was HK\$26,136,000, representing a decrease of HK\$43,875,000 or 62.7% from HK\$70,011,000 for the corresponding period last year.

In respect of our tinplating business, with the impact of slow recovery of the global economy and the downward pressure of the China economy, the overall imbalance between supply and demand in the iron and steel industry still existed, placing significant pressure on the sales of tinplate products. Leveraging on the strengths of its product mix marketing and team marketing, the Group enhanced customer service and maintained its market share. In the first half of 2016, sales volume of tinplate products increased by 6,949 tonnes, representing an increase of 4.2% as compared to that for the corresponding period last year. However, due to the decrease in selling price during the period, the revenue of the tinplating business decreased by HK\$304,799,000 or 25.3% from HK\$1,206,792,000 for the corresponding period last year to HK\$901,993,000 for the period. The segment loss was HK\$25,976,000, a decrease of HK\$51,988,000 from the segment profit of HK\$26,012,000 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 2016, only few live poultry were imported into Hong Kong. For the live pigs business, with the tightening supply of live pigs from the mainland China, the price of live pigs increased significantly as compared to that for the corresponding period last year. The Group's operation team seized the premium quality sources of goods and maintained the Group's overall market share in the live pigs supply into Hong Kong at about 45%. The commission revenue from the distribution of livestock business increased, resulting in an increase in the segment profit of the fresh and live foodstuffs business of HK\$22,570,000 from that for the corresponding period last year.

In respect of the property leasing business, the rental income for the first half of 2016 decreased by HK\$219,000 from that for the corresponding period last year. The decrease in operating expenses led to an increase of HK\$467,000 in the segment profit from that for the corresponding period last year. The value of properties held by the Group remained stable and net valuation gains on investment properties of HK\$100,000 (30 June 2015: HK\$500,000) were recorded for the period.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

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\$1,231,000 for the first half of 2016, the operation was still challenging. On the other hand, the continuous increase in the price of live pigs in the first half of 2016 resulted in profit for the period for the two associates, which are engaged in pig farming and sales of pigs, contributing the share of profits from these two associates of HK\$10,925,000 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. Currently, the annual production capacity of tinplate products and blackplates of the Group is 550,000 tonnes and 140,000 tonnes respectively, of which 350,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from Zhongyue Tinplate’s capacity, whereas 200,000 tonnes of tinplate products are from Zhongyue Posco’s capacity.

The revenue of the tinplating business accounted for 80.0% of the Group’s revenue. Due to the impact of the imbalance between supply and demand in the iron and steel industry, the performance of the tinplating business of the Group in the first half of 2016 was unsatisfactory. In the first half of 2016, the Group produced 162,419 tonnes of tinplate products, which represented a decrease of 4.9% as compared to that for the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 98,054 tonnes and 64,365 tonnes respectively. In addition, the blackplate manufacturing plant of Zhongyue Tinplate produced 63,822 tonnes of blackplates, a decrease of 1.6% as compared to that for the corresponding period last year, providing a steady supply of raw materials (i.e. blackplates) for its production of tinplate products. The Group’s tinplating plants in northern and southern China sold 173,595 tonnes of tinplate products, an increase of 4.2% as compared to that for the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 103,496 tonnes and 70,099 tonnes respectively, an increase of 4.2% and 4.1% respectively as compared to that for the corresponding period last year. The revenue for the period was HK\$901,993,000, a decrease of 25.3% as compared to that for the corresponding period last year. The segment loss was HK\$25,976,000, a decrease of HK\$51,988,000 from the segment profit of HK\$26,012,000 for the corresponding period last year.

Against the competitive market environment, the Group negotiated with its suppliers more beneficial purchase prices for raw materials in order to mitigate the pressure on the Group regarding the decrease in the selling price of tinplate products. Through the pursuit of more flexible payment methods with its suppliers, the Group successfully increased the liquidity of its working capital. Also, sales volume was stabilised and volume of finished goods were reduced by capitalising on the favourable position in capital management, adopting selling prices more comparable to the market rate and effective control in trade receivables’ management. The Group continued the implementation of the various measures of its human resources refining project by streamlining human resources, elevating efficiency and optimising performance management to increase its competitiveness. To promote the syndicated operation of the tinplating business, the Group established its procurement centre, realised syndicated procurement and emphasised the functions of the marketing centre and the procurement centre. The Group optimised the system of positions and duties, strengthened the operation models (including the linkage mechanism) of these two centres and determined the scope of management. The Group established two cost centres in Zhongyue Tinplate and Zhongyue Posco, adjusted and organised their management functions, and strengthened management and control including production, cost, quality and delivery capabilities.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

BUSINESS REVIEW (Continued)

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 2016, the revenue of the fresh and live foodstuffs business amounted to HK\$214,731,000, representing an increase of 39.2% 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\$10,925,000 (30 June 2015: share of losses of HK\$5,331,000), the segment profit was HK\$61,859,000, representing an increase of HK\$22,570,000 or 57.4% 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 2016, only few live poultry were imported into Hong Kong. The continuous increase in the price of live pigs during the first half of the year resulted in profit for the period for the two associates, which are engaged in pig farming and sales of pigs. Through continuous optimisation of the business workflow, the Group proactively strengthened its communication with governmental authorities, suppliers, industry participants and customers. Service standards were enhanced as a result. The Group also actively maintained the market supply. The overall market share in the live pigs supply into Hong Kong was about 45%. This provided a relatively steady 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 2016, the revenue from the property leasing business of the Group was HK\$10,401,000, a decrease of 2.1% as compared to that for the corresponding period last year. The segment profit amounted to HK\$7,726,000, an increase of 6.4% as compared to that for the corresponding period last year. In addition, the value of properties held by the Group remained stable and net valuation gains on investment properties of HK\$100,000 (30 June 2015: HK\$500,000) were recorded for the period.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

BUSINESS REVIEW (Continued)

Yellow Dragon

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

In the first half of 2016, Yellow Dragon recorded a sales volume of 163,645 tonnes of its major product, corn starch, a decrease of 11.8% as compared to that for the corresponding period last year. Revenue was HK\$620,037,000, a decrease of 35.6% as compared to that for the corresponding period last year. Sales price and sales volume of its products decreased during the period, together with the purchase cost of raw materials remained at a high level, it recorded a loss from operation of HK\$68,845,000 but a net profit of HK\$1,231,000 mainly due to the income from government grants. Starting from July 2016, the government of Jilin Province will no longer provide processing subsidies for corn processing enterprises. However, the cost of corns is expected to decrease by RMB100 to RMB200 per tonne under the Chinese government's policy to eliminate its stockpiling scheme. Yellow Dragon's operation is expected to remain stable in the second half of the year and the commodity price is expected to rebound.

FINANCIAL POSITION

As at 30 June 2016, the Group's total assets and total liabilities amounted to HK\$2,925,305,000 and HK\$435,144,000, representing a decrease of HK\$215,224,000 and HK\$203,869,000 respectively when compared with the positions at the end of 2015. Net current assets increased from HK\$1,034,574,000 at the end of 2015 to HK\$1,079,500,000. The current ratio (current assets divided by current liabilities) increased from 2.7 at the end of 2015 to 3.7.

Liquidity and Financial Resources

In January 2016, the Group fully repaid unsecured bank borrowings of HK\$271,300,000, as a result, the Group's cash and cash equivalents balance was HK\$746,697,000 as at 30 June 2016, representing a decrease of 22.2% when compared with the position at the end of 2015, of which 45.7% was denominated in Renminbi, 34.1% was denominated in United States Dollars while the remaining balance was denominated in Hong Kong Dollars. Interest income decreased from HK\$21,521,000 for the corresponding period last year to HK\$6,489,000 for the period.

As at 30 June 2016, the Group had outstanding loans from a related company denominated in United States Dollars equivalent to HK\$71,760,000 (31 December 2015: HK\$71,760,000), which were repayable within 1 year and subject to floating interest rate. The annual interest rate was 3-month London Interbank Offered Rate ("LIBOR") + 1.4% (31 December 2015: 3-month LIBOR + 1.4%).

As at 30 June 2016, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -29.1% (31 December 2015: -26.5%).

As at 30 June 2016, the Group's available banking facilities which are used for working capital and trade finance purposes, amounted to HK\$314,906,000, of which HK\$128,265,000 was utilised and HK\$186,641,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow from operations, are sufficient to meet the Group's debt obligations and business operations.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

FINANCIAL POSITION (Continued)

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2016 amounted to HK\$3,246,000 (30 June 2015: HK\$34,792,000). Capital commitments outstanding at 30 June 2016 not provided for in the financial statements amounted to HK\$3,529,000 (31 December 2015: HK\$8,899,000). It is expected that the capital expenditure for 2016 will be approximately HK\$12,000,000.

Acquisitions and Disposals of Investments

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

Pledge of Assets

As at 30 June 2016, the Group's interest in Guangdong Baojin was pledged to the major shareholder of Guangdong Baojin as a security for a loan and the related interest due to this shareholder by Guangdong Baojin which amounted to HK\$9,383,000 (31 December 2015: HK\$11,711,000). In addition, deposits at bank of HK\$13,082,000 were pledged as a security for a banking facility. Also, the Group was required to place at designated bank accounts amounting to HK\$1,893,000 for potential default in payment of construction costs payables. Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations are in Mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily from purchases from overseas suppliers and 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 market expectation of the depreciation of the Renminbi against the United States Dollar in the short to medium term, the Group has enhanced research and monitoring of the foreign exchange market since the second half of 2015 in order to reasonably reduce the financial impact from the fluctuations of the exchange rate of the Renminbi. While balancing interest income and exchange rate risks, the Group has been gradually increasing foreign currency assets and reducing foreign currency liabilities in order to reduce the exposure to exchange rate risks. As the Group considers the exchange rate risk currently faced is not material, no hedging arrangements have been entered into. 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 and cash and cash equivalents. 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 the interest rate risk currently faced is not material, no interest rate hedging has been carried out. Management closely monitors the changes in market interest rates.

Business Review, Management Discussion and Analysis, Prospects and Other Information (Continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had a total of 1,090 full-time employees, a decrease of 65 from 1,155 at the end of 2015. 176 employees were based in Hong Kong and 914 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance with reference to the prevailing industry practices. In 2016, the Group continued to implement control over the headcount, organisation structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, a performance bonus was accrued according to various profit rankings and with reference to net cash inflow from operations and profit after taxation. In addition, bonuses will be rewarded to management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members.

PROSPECTS

Currently, the recovery of the European and US economies is slow, while the economy in Mainland China is facing downward pressure. Besides, capital and money markets fluctuate significantly. As such, there will be certain challenges in the operating environment, and the Group's earnings will be subject to significant impact. In respect of the tinplating business, by leveraging on the new tinplating production line and the coating and printing production lines which commenced operation in recent years, the Group will actively transform and upgrade our business, improve the production quality, enrich varieties in product categories, enhance value-added, strive to receive recognition from customers, expand customer base and increase production and sales volume. As to the fresh and live foodstuffs business, in order to further improve our quality services, we will consolidate and develop our business chain operation. Through enhancing our supply chain management, we will continue to explore new and stable sources of supply for live pigs, ensure market supply and increase revenue. By leveraging on our sound financial position and abundant capital resources, we will continue to explore and capture various opportunities for development and strategic cooperation so as to improve the operating results of the Group.

Review Report



Review report to the board of directors of Guangnan (Holdings) Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 11 to 37 which comprises the consolidated statement of financial position of Guangnan (Holdings) Limited as of 30 June 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2016

Consolidated Income Statement

for the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2016 \$'000	2015 \$'000
Revenue	3	1,127,125	1,371,697
Cost of sales		(1,036,633)	(1,231,769)
Gross profit		90,492	139,928
Other revenue	4	13,056	23,723
Other net income	4	1,798	6,457
Distribution costs		(31,629)	(37,599)
Administrative expenses		(46,521)	(53,392)
Other operating expenses		(1,060)	(9,106)
Profit from operations		26,136	70,011
Net valuation gains on investment properties	8(b)	100	500
Finance costs	5(a)	(930)	(5,169)
Share of profits less losses of associates		11,417	(1,566)
Profit before taxation	5	36,723	63,776
Income tax	6	(2,555)	(8,450)
Profit for the period		34,168	55,326
Attributable to:			
Equity shareholders of the Company		36,061	54,015
Non-controlling interests		(1,893)	1,311
Profit for the period		34,168	55,326
Earnings per share			
Basic	7(a)	4.0 cents	6.0 cents
Diluted	7(b)	4.0 cents	6.0 cents

The notes on pages 19 to 37 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016 — unaudited
 (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Profit for the period	34,168	55,326
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(31,778)	603
– associates outside Hong Kong	(5,473)	119
– tax benefit related to a subsidiary outside Hong Kong	804	–
Net-of-tax amount	(36,447)	722
Total comprehensive income for the period	(2,279)	56,048
Attributable to:		
Equity shareholders of the Company	2,157	54,682
Non-controlling interests	(4,436)	1,366
Total comprehensive income for the period	(2,279)	56,048

The notes on pages 19 to 37 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2016

(Expressed in Hong Kong dollars)

	Note	At 30 June 2016 Unaudited \$'000	At 31 December 2015 Audited \$'000
Non-current assets			
Investment properties	8	388,769	392,061
Other property, plant and equipment	8	679,083	740,504
Interests in leasehold land held for own use under operating leases		107,085	111,029
		1,174,937	1,243,594
Interest in associates		261,541	255,596
Deposits and prepayments	10	5,617	4,732
Deferred tax assets		914	1,699
		1,443,009	1,505,621
Current assets			
Inventories	9	280,135	229,109
Trade and other receivables, deposits and prepayments	10	436,456	441,832
Current tax recoverable		4,033	4,114
Restricted and pledged deposits	19(b)	14,975	–
Cash and cash equivalents	11	746,697	959,853
		1,482,296	1,634,908
Current liabilities			
Trade and other payables	12	303,786	236,295
Bank loans	13(a)	–	271,300
Loans from a related company	13(b)	71,760	71,760
Current tax payable		27,250	20,979
		402,796	600,334
Net current assets		1,079,500	1,034,574
Total assets less current liabilities		2,522,509	2,540,195

Consolidated Statement of Financial Position (Continued)

at 30 June 2016
 (Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2016 Unaudited \$'000	At 31 December 2015 Audited \$'000
Non-current liability			
Deferred tax liabilities		32,348	38,679
NET ASSETS			
		2,490,161	2,501,516
CAPITAL AND RESERVES			
Share capital	14(b)	459,651	459,651
Reserves		1,863,682	1,870,601
Total equity attributable to equity shareholders of the Company			
		2,323,333	2,330,252
Non-controlling interests			
		166,828	171,264
TOTAL EQUITY			
		2,490,161	2,501,516

The notes on pages 19 to 37 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company									
	Share capital \$'000	Capital reserve- share options \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2016	459,651	626	242,646	2,121	107,440	67,145	1,450,623	2,330,252	171,264	2,501,516
Changes in equity for the six months ended 30 June 2016:										
Profit for the period	-	-	-	-	-	-	36,061	36,061	(1,893)	34,168
Other comprehensive income	-	-	(33,904)	-	-	-	-	(33,904)	(2,543)	(36,447)
Total comprehensive income	-	-	(33,904)	-	-	-	36,061	2,157	(4,436)	(2,279)
Share options lapsed during the period	-	(626)	-	-	-	-	626	-	-	-
Dividends approved in respect of the previous year	14(a)	-	-	-	-	-	(9,076)	(9,076)	-	(9,076)
Balance at 30 June 2016	459,651	-	208,742	2,121	107,440	67,145	1,478,234	2,323,333	166,828	2,490,161

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital \$'000	Capital reserve- share options \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2015		459,066	2,173	349,826	–	107,440	65,505	1,426,238	2,410,248	197,192	2,607,440
Changes in equity for the six months ended 30 June 2015:											
Profit for the period		–	–	–	–	–	–	54,015	54,015	1,311	55,326
Other comprehensive income		–	–	667	–	–	–	–	667	55	722
Total comprehensive income		–	–	667	–	–	–	54,015	54,682	1,366	56,048
Transfer to statutory reserves		–	–	–	–	–	1,667	(1,667)	–	–	–
Exercise of share options		585	(87)	–	–	–	–	–	498	–	498
Share-based payment expenses for the period		–	(71)	–	–	–	–	–	(71)	–	(71)
Share options lapsed during the period		–	(582)	–	–	–	–	582	–	–	–
Dividends declared to minority shareholders		–	–	–	–	–	–	–	–	(2,646)	(2,646)
Dividends approved in respect of the previous year	14(a)	–	–	–	–	–	–	(22,690)	(22,690)	–	(22,690)
Balance at 30 June 2015		459,651	1,433	350,493	–	107,440	67,172	1,456,478	2,442,667	195,912	2,638,579

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital \$'000	Capital reserve- share options \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2015		459,651	1,433	350,493	-	107,440	67,172	1,456,478	2,442,667	195,912	2,638,579
Changes in equity for the six months ended 31 December 2015:											
Profit for the period		-	-	-	-	-	-	12,270	12,270	(13,094)	(824)
Other comprehensive income		-	-	(107,847)	2,121	-	-	-	(105,726)	(8,656)	(114,382)
Total comprehensive income		-	-	(107,847)	2,121	-	-	12,270	(93,456)	(21,750)	(115,206)
Transfer from statutory reserves		-	-	-	-	-	(27)	27	-	-	-
Share-based payment expenses for the period		-	(807)	-	-	-	-	-	(807)	-	(807)
Dividends declared to minority shareholders		-	-	-	-	-	-	-	-	(2,898)	(2,898)
Dividends approved in respect of the current year	14(a)	-	-	-	-	-	-	(18,152)	(18,152)	-	(18,152)
Balance at 31 December 2015		459,651	626	242,646	2,121	107,440	67,145	1,450,623	2,330,252	171,264	2,501,516

The notes on pages 19 to 37 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2016 \$'000	2015 \$'000
Operating activities			
Cash generated from operations		100,713	515,245
Tax paid		(54)	(9,176)
Net cash generated from operating activities		100,659	506,069
Investing activities			
Payment for the purchase of property, plant and equipment		(17,579)	(49,769)
Loans repaid by/(advanced to) an associate, net		14,823	(7,689)
Increase in restricted and pledged deposits		(14,975)	–
Other cash flows arising from investing activities		145	–
Net cash used in investing activities		(17,586)	(57,458)
Financing activities			
Dividends paid to equity shareholders of the Company		(9,076)	(22,690)
Proceeds from bank loans		–	25,239
Repayment of bank loans		(271,300)	(290,111)
Other cash flows arising from financing activities		–	318
Net cash used in financing activities		(280,376)	(287,244)
(Decrease)/increase in cash and cash equivalents		(197,303)	161,367
Cash and cash equivalents at 1 January	11	959,853	1,070,798
Effect of foreign exchange rates changes		(15,853)	327
Cash and cash equivalents at 30 June	11	746,697	1,232,492

The notes on pages 19 to 37 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION

This 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”). It was authorised for issue on 26 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the board of directors is included on page 10.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report 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 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2012–2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

3. REVENUE AND SEGMENT REPORTING

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

- 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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. REVENUE AND SEGMENT REPORTING (Continued)

(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.

	Tinplating		Fresh and live foodstuffs		Property leasing		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
For the six months ended 30 June								
Reportable segment revenue	901,993	1,206,792	214,731	154,285	10,401	10,620	1,127,125	1,371,697
Reportable segment (loss)/profit	(25,976)	26,012	61,859	39,289	7,726	7,259	43,609	72,560
As at 30 June/ 31 December								
Reportable segment assets (including interest in associates)	2,023,682	2,282,393	317,656	271,593	389,462	392,623	2,730,800	2,946,609
Reportable segment liabilities	363,822	575,095	22,900	15,194	42,489	42,949	429,211	633,238

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

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	43,609	72,560
Unallocated head office and corporate income and expenses	(6,548)	(7,880)
Net valuation gains on investment properties	100	500
Finance costs	(930)	(5,169)
Share of profit of an associate not attributable to any segment	492	3,765
Consolidated profit before taxation	36,723	63,776

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. REVENUE AND SEGMENT REPORTING (Continued)

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

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Assets		
Reportable segment assets	2,730,800	2,946,609
Interest in an associate not attributable to any segment	185,906	189,200
Unallocated head office and corporate assets	8,599	4,720
Consolidated total assets	2,925,305	3,140,529
Liabilities		
Reportable segment liabilities	429,211	633,238
Unallocated head office and corporate liabilities	5,933	5,775
Consolidated total liabilities	435,144	639,013

4. OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Other revenue		
Interest income	6,489	21,521
Subsidies received	4,530	875
Others	2,037	1,327
	13,056	23,723
Other net income		
Net realised and unrealised exchange gain	1,693	1,857
Net gains on forward foreign exchange contracts	–	3,288
Others	105	1,312
	1,798	6,457

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
(a) Finance costs		
Interest on bank borrowings	220	4,465
Interest on loans from a related company	710	704
	930	5,169
(b) Staff costs		
Net contributions to defined contribution retirement plans	6,656	6,438
Equity-settled share-based payment expenses	–	(71)
Salaries, wages and other benefits	69,051	76,486
	75,707	82,853
(c) Other items		
Amortisation of land lease premium	1,777	1,977
Depreciation	50,790	50,584
Operating lease charges	3,966	3,989
Rentals receivable from investment properties less direct outgoings of \$302,000 (30 June 2015: \$564,000)	(10,099)	(10,056)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Note	Six months ended 30 June	
		2016 \$'000	2015 \$'000
Current tax — Hong Kong			
Provision for the period		6,081	5,481
Over-provision in respect of prior years		—	(1,268)
		6,081	4,213
Current tax — the People's Republic of China (the "PRC")			
Provision for the period		575	7,470
Over-provision in respect of prior years		—	(238)
		575	7,232
Deferred tax			
Origination and reversal of temporary differences		(4,101)	(2,995)
	(i)	2,555	8,450

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2015: 16.5%) to the six months ended 30 June 2016. 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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to ordinary equity shareholders of the Company of \$36,061,000 (30 June 2015: \$54,015,000) and the weighted average number of 907,593,000 (30 June 2015: 907,340,000) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2016 '000	2015 '000
Issued ordinary shares at 1 January	907,593	907,293
Effect of share options exercised (<i>note 14(c)</i>)	–	47
Weighted average number of ordinary shares at 30 June	907,593	907,340

(b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 June 2016 and 2015.

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and transfers

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of \$3,246,000 (30 June 2015: \$34,792,000). Also, the Group transferred construction in progress with a carrying amount of \$910,000 (30 June 2015: \$24,152,000) to other property, plant and equipment upon completion.

(b) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2016 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 2015 valuations. As a result of the update, a net gain of \$100,000 (30 June 2015: \$500,000) has been recognised in profit or loss for the period.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

9. INVENTORIES

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Raw materials, spare parts and consumables	173,917	103,732
Work in progress	27,351	13,254
Finished goods	78,867	112,123
	280,135	229,109

Based on management's assessment of the net realisable value of inventories, there was a write-down of inventories to estimated net realisable value by approximately \$7,181,000 during the period (30 June 2015: \$9,534,000).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Trade debtors	211,470	169,470
Bills receivable	111,293	172,786
Other receivables, deposits and prepayments	98,721	56,834
Amounts due from a related company (note (i))	20,589	31,057
Loans to an associate (note (ii))	–	14,823
Derivative financial instruments (note 15)	–	1,594
	442,073	446,564
Less: Deposits and prepayments (non-current portion) (note (iii))	(5,617)	(4,732)
Trade and other receivables, deposits and prepayment (current portion)	436,456	441,832

Notes:

- (i) The amounts represent trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) As at 31 December 2015, the loans to an associate were unsecured, interest-bearing at rates ranging from 6.0% to 6.4% per annum and repayable within one year. The loans have been fully recovered during the six months ended 30 June 2016.
- (iii) As at 30 June 2016 and 31 December 2015, the deposits and prepayments (non-current portion) represent deposits mainly for acquisition of equipment in relation to other property, plant and equipment.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

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 2016 \$'000	At 31 December 2015 \$'000
Within 1 month	341,171	358,444
1 to 3 months	575	14,792
Over 3 months	1,606	77
	343,352	373,313

There was no recognition or reversal of impairment losses in respect of trade and other receivables, deposits and prepayments during the six months ended 30 June 2016 and 2015.

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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. CASH AND CASH EQUIVALENTS

(a)

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Deposits with banks	–	6,727
Cash at bank and in hand	746,697	953,126
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	746,697	959,853

(b) Major non-cash transactions

During the six months ended 30 June 2015, the proceeds from bank loans of \$213,545,000 were directly remitted to a related company to settle the trade balances due to the related company. Hence, these proceeds from bank loans had no cash flow impact to the Group.

12. TRADE AND OTHER PAYABLES

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Trade creditors	44,994	41,864
Bills payable	92,456	4,822
Other payables and accrued charges	121,186	121,299
Amounts due to a related company (<i>note (i)</i>)	39,192	67,464
Amounts due to associates (<i>note (ii)</i>)	5,569	662
Amounts due to fellow subsidiaries (<i>note (iii)</i>)	389	184
	303,786	236,295

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

12. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (i) The amounts represent trade balances due to a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) The amounts represent trade balances due to associates.
- (iii) The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (iv) All of the Group's trade and other payables are expected to be settled or recognised as income within one year except for an amount of \$1,960,000 (31 December 2015: \$1,754,000), which is expected to be settled or recognised as income after more than one year.

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 2016 \$'000	At 31 December 2015 \$'000
Due within 1 month or on demand	132,112	88,966
Due after 1 month but within 3 months	47,174	25,846
Due after 3 months but within 6 months	2,925	–
	182,211	114,812

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. BORROWINGS

(a) Bank loans

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Unsecured (<i>note</i>)	–	271,300

The bank loans were repayable as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 1 year or on demand	–	271,300

Note: As at 31 December 2015, the unsecured bank loans was guaranteed by the Company. It is provided in the facility agreement for the unsecured bank loan that if the immediate holding company, GDH Limited, ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company or (ii) effective management control over the Company, then the lenders are entitled to request immediate repayment of these outstanding loans and all accrued interest.

Furthermore, the bank loan was subject to fulfilment of certain loan covenants relating to certain of the Group's statement of financial position and income statement ratios, as commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the amount would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2015, none of the covenants relating to the bank loan had been breached.

During the six months ended 30 June 2016, the unsecured bank loans have been fully repaid.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. BORROWINGS (Continued)

(b) Loans from a related company

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Loans from a related company	71,760	71,760

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") +1.4% (31 December 2015: 3-month LIBOR +1.4%) per annum and repayable within one year.

14. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2015: 2.0 cents) per ordinary share	9,076	18,152

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.

(ii) 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	
	2016 \$'000	2015 \$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 1.0 cent (30 June 2015: 2.5 cents) per ordinary share	9,076	22,690

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

	At 30 June 2016		At 31 December 2015	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Ordinary shares, issued and fully paid:				
At 1 January	907,593	459,651	907,293	459,066
Exercise of share options	—	—	300	585
At 30 June/ 31 December	907,593	459,651	907,593	459,651

(c) Equity-settled share-based transactions

During the six months ended 30 June 2016, no share option was exercised.

During the six months ended 30 June 2015, 300,000 share options were exercised to subscribe for 300,000 ordinary shares in the Company at a consideration of \$498,000. \$87,000 was transferred from the capital reserve — share options to the share capital account.

In addition, during the six months ended 30 June 2016, 2,200,000 share options lapsed and there was no expiry of share options. During the six months ended 30 June 2015, 2,372,000 share options lapsed and there was no expiry of share options.

No share option (31 December 2015: 2,200,000 share options with the weighted average exercise price of \$1.66) was outstanding at 30 June 2016.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Valuation reports on fair value measurement of financial instruments are prepared by financial institutions. The chief financial officer has discussions with these financial institutions about the valuation assumptions and valuations results when the valuations are performed at each interim and annual reporting date.

	Fair value at 30 June 2016 \$'000	Fair value measurements as at 30 June 2016 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative financial instruments:				
Forward foreign exchange contracts — Assets (note 10)	–	–	–	–
	Fair value at 31 December 2015 \$'000	Fair value measurements as at 31 December 2015 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative financial instruments:				
Forward foreign exchange contracts — Assets (note 10)	1,594	–	1,594	–

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

(a) Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

During the six months ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3. The Group's policy is to recognise transfers between the levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2016 and 31 December 2015.

16. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution retirement schemes pursuant to the local labour rules and regulations.

The Group's pension cost charged to the consolidated income statement for the six months ended 30 June 2016 was \$6,656,000 (30 June 2015: \$6,438,000). No forfeited contributions were refunded for either period.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. CAPITAL COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2016 not provided for in the interim financial report were as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Contracted for	358	1,845
Authorised but not contracted for	3,171	7,054
	3,529	8,899

- (b) At 30 June 2016, the Group had committed to provide additional capital of \$6,489,000 (31 December 2015: \$6,489,000) to an associate of the Group.

18. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions.

(a) Transactions with related parties

The Group had the following transactions with the related parties during the period which the directors consider to be material:

	Note	Six months ended 30 June 2016 \$'000	2015 \$'000
Sales of goods to related companies	(i)	231,293	353,588
Commission paid/payable to a related company	(i), (ii)	3,308	5,087
Commission received/receivable from associates	(iii)	11,928	9,106
Purchases of goods from associates	(iv)	3,992	3,191
Purchases of goods from related companies including transport services fee paid/payable	(i)	274,102	385,123
Purchases of electricity from a fellow subsidiary	(v)	2,606	–

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

18. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) *Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd and its subsidiaries.*
- (ii) *Commission in respect of export distribution services provided to the Group is charged at 1.5% of the contracted prices payable by the overseas customers.*
- (iii) *This represents commission earned for services rendered to associates in respect of distribution of fresh and live foodstuffs.*
- (iv) *This represents purchases of goods from associates in respect of trading of fresh and live foodstuffs.*
- (v) *This represents purchases of electricity from a fellow subsidiary in respect of production of tinplates and related products.*
- (vi) *Balances with related parties at 30 June/31 December are included in amounts due from/to the respective parties in the consolidated statement of financial position. Except for the trade balances with related parties as disclosed in notes 10 and 12 which are settled in accordance with normal trade terms, the loans to an associate as disclosed in note 10 and the loans from a related company as disclosed in note 13(b), these balances are unsecured, interest-free and have no fixed terms of repayment.*

(b) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions disclosed elsewhere in this interim financial report, the Group also conducts business activities with other state-controlled entities which include but are not limited to the following:

- Sales and purchase of goods and ancillary materials;
- Rendering and receiving services;
- Lease of assets;
- Purchase of property, plant and equipment; and
- Obtaining finance.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled or not.

Having considered the potential transactions impacted by related party relationships, the Group's pricing strategy, buying and approval process, and what information would be necessary for an understanding of the potential effects of the transactions on the interim financial report, the directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

18. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Short-term employee benefits	816	2,670
Post-employment benefits	152	434
Equity compensation benefits	–	(106)
	968	2,998

19. PLEDGE OF ASSETS

- (a) As at 30 June 2016, the Group's interest in Guangdong Zijin Baojin Livestock Co., Ltd. ("Guangdong Baojin") was pledged to the major shareholder of Guangdong Baojin ("the Shareholder") as a security for a loan and the related interest due to the Shareholder by Guangdong Baojin which amounted to \$9,383,000 (31 December 2015: \$11,711,000).
- (b) As at 30 June 2016, deposits at bank of \$13,082,000 (31 December 2015: \$Nil) were pledged as a security for a banking facility. In addition, the Group was required to place at designated bank accounts amounting to \$1,893,000 (31 December 2015: \$Nil) for potential default in payment of construction costs payables.

20. SUBSEQUENT EVENTS

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 14(a).

Supplementary Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Interests and short positions in the Company

(A) *Interests in ordinary shares*

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				<i>(Note)</i>
Tan Yunbiao	Personal	240,000	Long position	0.026%
Tam Wai Chu, Maria	Personal	200,000	Long position	0.022%
Li Kar Keung, Caspar	Personal	100,000	Long position	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 30 June 2016.

Supplementary Information (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

(Continued)

Interests and short positions in the Company (Continued)

(B) Interests (long positions) in options relating to ordinary shares

Share option scheme adopted on 11 June 2004 (the "2004 Share Option Scheme")

Name of Director	Date of grant of share options [#] (DD.MM.YYYY)	Number of share options				At 30 June 2016	Total consideration paid for share options granted	Exercise period of share options (both days inclusive) ^{##}	Exercise price of share options* (per share)	Price of ordinary share at date	Price of ordinary share at date
		At 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					immediately before date of grant**	immediately before the exercise date**
									HK\$ (per share)	HK\$ (per share)	
Tan Yunbiao	09.03.2006	2,000,000	-	-	2,000,000	-	1	09.06.2006 to 08.03.2016	1.66	1.61	-
Li Kar Keung, Caspar	09.03.2006	200,000	-	-	200,000	-	1	09.06.2006 to 08.03.2016	1.66	1.61	-

Notes to the above share options granted pursuant to the 2004 Share Option Scheme:

The vesting period of the share options is from the date of grant until the commencement of the exercise period or the grantee's completion of half year's full time service with the Company or its subsidiaries, whichever is the later.

If the last day of any of the exercise periods is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's ordinary shares disclosed as "immediately before date of grant" of the share options is the closing price on the Stock Exchange on the business day prior to which the share options were granted.

The price of the Company's ordinary shares disclosed as "immediately before the exercise date" of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the Directors of the Company or all other participants as an aggregate whole.

Supplementary Information (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

(Continued)

Interests and short positions in Guangdong Investment Limited ("GDI")

(1) Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
Liang Jianqin	Personal	100,000	Long position	0.002%

(Note)

Note: The approximate percentage of interests held was calculated on the basis of 6,264,662,621 ordinary shares of GDI in issue as at 30 June 2016.

(2) Interests in share options relating to ordinary shares

Name of Director	Date of grant of share options (DD.MM.YYYY)	Number of share options					Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary shares at date immediately before date of grant** HK\$ (per share)	Price of ordinary shares at date immediately before the exercise date** HK\$ (per share)	
		At date of grant	At 1 January 2016	Granted during the period	Exercised during the period	Cancelled/lapsed during the period					At 30 June 2016
Lau Kin Man	22.01.2013	939,000	563,400	-	281,700	-	281,700	-	6.20	6.30	9.54

Notes to the above share options granted pursuant to the share option scheme adopted by GDI:

- The option period of all the share options is five years and six months from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.
- The normal vesting scale of the share options is as follows:

Date	Percentage vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

Supplementary Information (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

(Continued)

Interests and short positions in Guangdong Investment Limited ("GDI") (Continued)

(2) Interests in share options relating to ordinary shares (Continued)

Notes to the above share options granted pursuant to the share option scheme adopted by GDI: (Continued)

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.
- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of GDI.

** The price of the ordinary shares of GDI disclosed as "immediately before date of grant" of the share options is the closing price on the Stock Exchange on the business day prior to which the share options were granted.

The price of the ordinary shares of GDI disclosed as "immediately before the exercise date" of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the directors of GDI or all other participants as an aggregate whole.

Supplementary Information (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

(Continued)

Interests and short positions in Guangdong Land Holdings Limited ("GD Land")

Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				<i>(Note)</i>
Liang Jianqin	Personal	56,222	Long position	0.003%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of GD Land in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2016, so far as is known to any Directors and chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interests held
			<i>(Note 1)</i>
廣東粵海控股集團有限公司 (formerly known as 廣東粵海控股有限公司) (Guangdong Holdings Limited) ("Guangdong Holdings") <i>(Note 2)</i>	537,198,868	Long position	59.19%
GDH Limited ("GDH")	537,198,868	Long position	59.19%

Supplementary Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 30 June 2016.*
2. *The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.*

Save as disclosed above, as at 30 June 2016, no other person (other than Directors and chief executives of the Company) known to any Directors and chief executives of the Company had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as entered in the register kept by the Company under Section 336 of the SFO.

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 Listing Rules throughout the six months ended 30 June 2016 except for the following:

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

Mr. Tan Yunbiao acts as the Chairman and General Manager of the Company. He is responsible for effective running of the Board and formulating business strategies. He also provides leadership for effective running of the Company's business and implementing the policies devised by the Board. With the ever-changing operating environment, the Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively.

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

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 2016. In addition, the Company's external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

Supplementary Information (Continued)

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2016, 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 2016 of HK1.0 cent per share (2015: HK2.0 cents per share). The interim dividend will be paid on Tuesday, 25 October 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, 6 October 2016.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 5 October 2016 and Thursday, 6 October 2016. 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 Tuesday, 4 October 2016.

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 26 August 2016



廣南(集團)有限公司
GUANGNAN (HOLDINGS) LIMITED

