

INTERIM REPORT 2017 中期報告



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

股份代號 Stock Code: 1203



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Corporate Information

(as at 29 August 2017)

BOARD OF DIRECTORS

Executive Directors

TAN Yunbiao (*Chairman*)
HE Jinzhou (*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
Nanyang Commercial Bank, Limited
Industrial and Commercial Bank of China Limited,
Zhongshan Branch
Bank of China Limited, Zhongshan Branch
Agricultural Bank of China,
Qinhuangdao Shanhaiguankaifu 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
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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>Last Share Registration Date</i>	4 October 2017
<i>Closure of Register of Members</i>	3 October 2017 and 4 October 2017
<i>Interim Dividend Payment Date</i>	HK1.0 cent per share 25 October 2017

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2017 \$'000	2016 \$'000	
Revenue	1,053,749	1,127,125	-6.5%
Profit from operations	2,984	26,136	-88.6%
Profit attributable to shareholders	45,689	36,061	26.7%
Basic earnings per share	5.0 cents	4.0 cents	25.0%
Interim dividend per share	1.0 cent	1.0 cent	0.0%
	At 30 June 2017 \$'000	At 31 December 2016 \$'000	Change
Total assets	2,908,572	2,854,348	1.9%
Shareholders' equity	2,378,984	2,309,964	3.0%
Net asset value per share¹	\$2.62	\$2.55	2.7%
Closing market price per share	\$1.04	\$0.94	
Net cash²	(704,085)	(736,521)	
Gearing ratio³	-29.6%	-31.9%	

Notes:

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

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

2. Borrowings – restricted deposits, cash and bank balances

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

RESULTS

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

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for 2017 of HK1.0 cent per share (2016: HK1.0 cent per share).

BUSINESS REVIEW

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

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

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

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

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

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

BUSINESS REVIEW (Continued)

Tinplating

Zhongsan Zhongyue Tinplate Industrial Co., Ltd. (“Zhongyue Tinplate”) is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. (“Zhongyue Posco”), while the remaining 34% is held by POSCO Co., Ltd., an internationally renowned iron and steel enterprise. In the first half of 2017, Zhongyue Tinplate removed a tinplating production line to make room for developing new products, resulted in a decrease in the annual production capacity of tinplate products by 60,000 tonnes. Currently, the annual production capacity of tinplate products and blackplates of the Group is 490,000 tonnes and 140,000 tonnes respectively, of which 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from Zhongyue Tinplate’s capacity, whereas 200,000 tonnes of tinplate products are from Zhongyue Posco’s capacity.

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

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

Fresh and Live Foodstuffs

Guangnan Hong Company Limited (“Guangnan Hong”) is a wholly-owned subsidiary of the Company. Guangnan Hong holds a 51% interest in a subsidiary, Guangnan Live Pigs Trading Limited, a 15.45% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. (“Hubei Jinxu”) and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. (“Guangdong Baojin”).

In the first half of 2017, the revenue of the fresh and live foodstuffs business amounted to HK\$181,685,000, representing a decrease of 15.4% as compared to that for the corresponding period last year. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, of HK\$6,742,000 (30 June 2016: HK\$10,925,000), the segment profit was HK\$50,942,000, representing a decrease of HK\$10,917,000 or 17.6% as compared to that for the corresponding period last year. Avian flu still had an impact on our distribution and sales of live poultry business in the first half of 2017, only few live poultry were imported into Hong Kong. The continuous decrease in the price of live pigs during the first half of the year resulted in a decrease in the profit for the period of the two associates, which are engaged in pig farming and sales of pigs. Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, the service standards of the Group were enhanced as a result. The Group also actively maintained the market supply. The overall market share in the live pigs supply into Hong Kong was about 46%. This provided a certain contribution to the earnings of the Group.

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

BUSINESS REVIEW (Continued)

Property Leasing

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

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

Yellow Dragon

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

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

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

FINANCIAL POSITION

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

Liquidity and Financial Resources

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

As at 30 June 2017, the Group had outstanding loans from a related company denominated in United States Dollars equivalent to HK\$39,000,000 (31 December 2016: HK\$42,900,000), which were repayable within 1 year and subject to floating interest rate. The annual interest rate was 3-month London Interbank Offered Rate ("LIBOR") + 1.3% (31 December 2016: 3-month LIBOR + 1.3%).

As at 30 June 2017, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less restricted deposits and cash and bank balances) of the Group by total equity attributable to equity shareholders of the Company, was -29.6% (31 December 2016: -31.9%).

As at 30 June 2017, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$234,425,000, of which HK\$113,679,000 was utilised and HK\$120,746,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's debt obligations and needs for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2017 amounted to HK\$7,407,000 (30 June 2016: HK\$3,246,000). Capital commitments outstanding at 30 June 2017 not provided for in the financial statements amounted to HK\$65,012,000 (31 December 2016: HK\$3,371,000), mainly for the construction of a new production line in Zhongshan. It is expected that the capital expenditure for 2017 will be approximately HK\$29,000,000.

Acquisitions and Disposals of Investments

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

Pledge of Assets

As at 30 June 2017, the Group's interest in Guangdong Baojin was pledged to the major shareholder of Guangdong Baojin as a security for a loan and the related interest due to this shareholder by Guangdong Baojin, and the guarantee amounted to HK\$7,185,000 (31 December 2016: HK\$7,555,000). In addition, as at 30 June 2017, the Group was required to place at designated bank accounts amounting to HK\$1,238,000 (31 December 2016: HK\$1,809,000) for potential default in payment of construction costs payables. Other than the above, none of the assets of the Group was pledged.

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

FINANCIAL POSITION (Continued)

Litigation

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

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

The Group's operations are mainly conducted in Mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily through purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollar against the Renminbi. In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

In view of the continuous fluctuation of the Renminbi against the United States Dollar, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks. As the Group considers that its current exposure to exchange rate risks is not material, no exchange rate hedging has been carried out. The management closely monitors the changes in the foreign exchange market and will take appropriate measures to hedge the risks when necessary.

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



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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had a total of 1,114 full-time employees, an increase of 23 from 1,091 at the end of 2016. 195 employees were based in Hong Kong and 919 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2017, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members.

PROSPECTS

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

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 32 which comprises the consolidated statement of financial position of Guangnan (Holdings) Limited as of 30 June 2017 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 2017 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

29 August 2017

Consolidated Income Statement

for the six months ended 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 19 to 32 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Profit for the period	42,167	34,168
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	46,116	(31,778)
– associates outside Hong Kong	9,362	(5,473)
– tax (expense)/benefit related to a subsidiary outside Hong Kong	(1,205)	804
Net-of-tax amount	54,273	(36,447)
Total comprehensive income for the period	96,440	(2,279)
Attributable to:		
Equity shareholders of the Company	96,248	2,157
Non-controlling interests	192	(4,436)
Total comprehensive income for the period	96,440	(2,279)

The notes on pages 19 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2017

(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 Unaudited \$'000	At 31 December 2016 Audited \$'000
Non-current assets			
Investment properties	8	404,048	384,826
Other property, plant and equipment	8	581,541	604,058
Interests in leasehold land held for own use under operating leases		102,012	100,646
		1,087,601	1,089,530
Interest in associates		296,821	267,774
Deposits and prepayments	10	539	5,244
Deferred tax assets		488	232
		1,385,449	1,362,780
Current assets			
Inventories	9	361,073	240,796
Trade and other receivables, deposits and prepayments	10	418,455	470,856
Current tax recoverable		510	495
Restricted deposits	20(b)	1,238	1,809
Cash and bank balances	11	741,847	777,612
		1,523,123	1,491,568
Current liabilities			
Trade and other payables	12	280,952	289,205
Loans from a related company	13	39,000	42,900
Current tax payable		20,879	18,742
		340,831	350,847
Net current assets		1,182,292	1,140,721
Total assets less current liabilities		2,567,741	2,503,501

Consolidated Statement of Financial Position (Continued)

at 30 June 2017
(Expressed in Hong Kong dollars)

	At 30 June 2017 Unaudited \$'000	At 31 December 2016 Audited \$'000
Non-current liabilities		
Deferred tax liabilities	27,739	32,711
NET ASSETS	2,540,002	2,470,790
CAPITAL AND RESERVES		
Share capital	459,651	459,651
Reserves	1,919,333	1,850,313
Total equity attributable to equity shareholders of the Company	2,378,984	2,309,964
Non-controlling interests	161,018	160,826
TOTAL EQUITY	2,540,002	2,470,790

The notes on pages 19 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Exchange reserve	Revaluation reserve	Special capital reserve	Other reserves	Retained profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	459,651	132,026	2,121	107,440	67,145	1,541,581	2,309,964	160,826	2,470,790
Changes in equity for the six months ended 30 June 2017:									
Profit for the period	-	-	-	-	-	45,689	45,689	(3,522)	42,167
Other comprehensive income	-	50,559	-	-	-	-	50,559	3,714	54,273
Total comprehensive income	-	50,559	-	-	-	45,689	96,248	192	96,440
Dividends approved in respect of the previous year	14(b)	-	-	-	-	(27,228)	(27,228)	-	(27,228)
Balance at 30 June 2017	459,651	182,585	2,121	107,440	67,145	1,560,042	2,378,984	161,018	2,540,002

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2017 – 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 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(b)	-	-	-	-	-	-	(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 2017 – 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 2016		459,651	–	208,742	2,121	107,440	67,145	1,478,234	2,323,333	166,828	2,490,161
Changes in equity for the six months ended 31 December 2016:											
Profit for the period		–	–	–	–	–	–	72,423	72,423	2,779	75,202
Other comprehensive income		–	–	(76,716)	–	–	–	–	(76,716)	(5,841)	(82,557)
Total comprehensive income		–	–	(76,716)	–	–	–	72,423	(4,293)	(3,062)	(7,355)
Dividends declared to minority shareholders		–	–	–	–	–	–	–	–	(2,940)	(2,940)
Dividends approved in respect of the current year	14(a)	–	–	–	–	–	–	(9,076)	(9,076)	–	(9,076)
Balance at 31 December 2016		459,651	–	132,026	2,121	107,440	67,145	1,541,581	2,309,964	160,826	2,470,790

The notes on pages 19 to 32 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 \$'000	2016 \$'000
Operating activities			
Cash generated from operations		447	100,713
Tax paid		(4,062)	(54)
Net cash (used in)/generated from operating activities		(3,615)	100,659
Investing activities			
Payment for the purchase of property, plant and equipment		(11,661)	(17,579)
Loans repaid by an associate		–	14,823
Dividends received from associates		4,491	–
Decrease/(increase) in restricted deposits		627	(14,975)
Decrease in bank deposits with more than three months of maturity when placed		56,940	–
Other cash flows arising from investing activities		121	145
Net cash generated from/(used in) investing activities		50,518	(17,586)
Financing activities			
Dividends paid to equity shareholders of the Company		(27,228)	(9,076)
Repayment of bank loans		–	(271,300)
Repayment of loans from a related company		(3,900)	–
Net cash used in financing activities		(31,128)	(280,376)
Increase/(decrease) in cash and cash equivalents		15,775	(197,303)
Cash and cash equivalents at 1 January	11	564,672	959,853
Effect of foreign exchange rates changes		5,400	(15,853)
Cash and cash equivalents at 30 June	11	585,847	746,697

The notes on pages 19 to 32 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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 2016 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 2016 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. REVENUE AND SEGMENT REPORTING

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

- Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for food processing manufacturers.
- Fresh and live foodstuffs : this segment distributes, purchases and sells fresh and live foodstuffs.
- Property leasing : this segment leases office and industrial premises to generate rental income.

(a) Segment results, assets and liabilities

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. REVENUE AND SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	16,392	43,609
Unallocated head office and corporate income and expenses	(6,666)	(6,548)
Net valuation gains on investment properties	14,230	100
Finance costs	(489)	(930)
Share of profit of an associate not attributable to any segment	17,434	492
Consolidated profit before taxation	40,901	36,723
Assets		
Reportable segment assets	2,545,512	2,571,530
Interest in an associate not attributable to any segment	209,243	185,733
Unallocated head office and corporate assets	153,817	97,085
Consolidated total assets	2,908,572	2,854,348
Liabilities		
Reportable segment liabilities	359,153	373,868
Unallocated head office and corporate liabilities	9,417	9,690
Consolidated total liabilities	368,570	383,558

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4. OTHER REVENUE AND NET (LOSSES)/GAINS

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Other revenue		
Interest income	4,737	6,489
Subsidies received	2,412	4,530
Others	2,930	2,037
	10,079	13,056
Other net (losses)/gains		
Net realised and unrealised exchange (loss)/gain	(6,918)	1,693
Impairment losses on other property, plant and equipment (note 8(b))	(4,572)	–
Others	(117)	105
	(11,607)	1,798

5. PROFIT BEFORE TAXATION

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

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

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 June 2017. Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.
- (ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and transfers

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

(b) Impairment losses

During the six months ended 30 June 2017, an old production line in the tinplating segment was dismantled for the construction of a new producing line (note 17(a)). 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 2017 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Vigers Appraisal and Consulting Limited, using the same valuation techniques as were used by these valuers when carrying out the December 2016 valuations. As a result of the update, a net gain of \$14,230,000 (30 June 2016: \$100,000) has been recognised in profit or loss for the period.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9. INVENTORIES

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

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 \$5,851,000 during the period (30 June 2016: \$7,181,000).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Trade debtors	184,387	193,496
Bills receivable	77,031	175,997
Other receivables, deposits and prepayments	137,107	101,354
Amounts due from a related company (note (i))	20,469	5,253
	418,994	476,100
Less: Deposits and prepayments (non-current portion) (note (ii))	(539)	(5,244)
Trade and other receivables, deposits and prepayment (current portion)	418,455	470,856

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 30 June 2017 and 31 December 2016, the deposits and prepayments (non-current portion) represented 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 indicated)

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

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 2017 and 2016.

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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. CASH AND BANK BALANCES

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

12. TRADE AND OTHER PAYABLES

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Trade creditors	56,033	46,809
Bills payable	106,705	86,022
Other payables and accrued charges	117,167	129,208
Amounts due to a related company (note (i))	84	23,793
Amounts due to associates (note (ii))	629	2,915
Amounts due to fellow subsidiaries (note (iii))	334	458
	280,952	289,205

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 \$375,000 (31 December 2016: \$1,674,000), which is expected to be settled or recognised as income after more than one year.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. TRADE AND OTHER PAYABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade creditors, bills payable and trade balances due to a related company and associates (which are included in trade and other payables) is as follows:

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

13. LOANS FROM A RELATED COMPANY

The loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans are unsecured, interest-bearing at 3-month London Interbank Offered Rate ("LIBOR") +1.3% (31 December 2016: 3-month LIBOR +1.3%) per annum and repayable within one year.

14. DIVIDENDS

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

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

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 2017 and 31 December 2016.

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 2017 was \$6,621,000 (30 June 2016: \$6,656,000).

17. CAPITAL COMMITMENTS

(a) Capital commitments outstanding at 30 June 2017 not provided for in the interim financial report were as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Contracted for	2,446	342
Authorised but not contracted for	62,566	3,029
	65,012	3,371

The board of directors of the Company approved the construction of a new production line with an annual production capacity of 50,000 tonnes. It is estimated that the total investment costs of this production line will amount to approximately RMB49 million (equivalent to approximately \$56 million).

(b) At 30 June 2017, the Group had committed to provide additional capital of \$6,489,000 (31 December 2016: \$6,489,000) to an associate of the Group.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
		2017 \$'000	2016 \$'000
Sales of goods to related companies	(i)	203,215	231,293
Commission paid/payable to a related company	(i), (ii)	2,903	3,308
Commission received/receivable from associates	(iii)	10,021	11,928
Purchases of goods from associates	(iv)	6,695	3,992
Purchases of goods from related companies including transport services fee paid/payable	(i)	205,013	274,102
Purchases of electricity from a fellow subsidiary	(v)	–	2,606

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, and the loans from a related company as disclosed in note 13, these balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(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; and
- Purchase of property, plant and equipment.

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.

(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	
	2017 \$'000	2016 \$'000
Short-term employee benefits	1,053	816
Post-employment benefits	237	152
	1,290	968

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19. LITIGATION

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

20. PLEDGE OF ASSETS

- (a) As at 30 June 2017, 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, and the guarantee amounted to \$7,185,000 (31 December 2016: \$7,555,000).
- (b) As at 30 June 2017, the Group was required to place deposits at designated bank accounts amounting to \$1,238,000 (31 December 2016: \$1,809,000) for potential default in payment of construction cost payables.

21. 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 2017, 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

Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
				(Note)
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 2017.

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
				(Note)
Liang Jianqin	Personal	100,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of GDI in issue as at 30 June 2017.

(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 2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period					At 30 June 2017
Lau Kin Man	22.01.2013	939,000	281,700	-	-	-	281,700	-	6.20	6.30	-

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%

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.

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
				(Note)
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 2017.

Save as disclosed above, as at 30 June 2017, 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 2017, 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
			(Note 1)
廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") (Note 2)	537,198,868	Long position	59.19%
GDH Limited ("GDH")	537,198,868	Long position	59.19%

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 2017.
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 2017, 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 2017.

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 2017.

Change in Director's Information

Ms. Tam Wai Chu, Maria was appointed as independent non-executive director of China Shenhua Energy Company Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange, on 23 June 2017.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2017. In addition, the Company's external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend for 2017 of HK1.0 cent per share (2016: HK1.0 cent per share). The interim dividend will be paid on Wednesday, 25 October 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, 4 October 2017.

Closure of Register of Members

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

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 29 August 2017



廣南(集團)有限公司

GUANGNAN (HOLDINGS) LIMITED