



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

股份代號 Stock Code: 1203

2018

Interim Report

中期報告



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# Corporate Information

(as at 29 August 2018)

## 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

LI Kar Keung, Caspar

WONG Yau Kar, David

## AUDIT COMMITTEE

Gerard Joseph McMAHON (*Chairman*)

LI Kar Keung, Caspar

WONG Yau Kar, David

## COMPENSATION COMMITTEE

LI Kar Keung, Caspar (*Chairman*)

Gerard Joseph McMAHON

WONG Yau Kar, David

## NOMINATION COMMITTEE

TAN Yunbiao (*Chairman*)

Gerard Joseph McMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

## COMPANY SECRETARY

LO Wing Suet

## AUDITORS

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 Limited,

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

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Hong Kong

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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

*Place of Listing* Main Board of  
The Stock Exchange of  
Hong Kong Limited

*Stock Code* 1203

*Board Lot* 2,000 shares

*Financial Year End* 31 December

## SHAREHOLDERS' CALENDAR

*Last Share Registration Date* 3 October 2018

*Closure of Register of Members* 4 October 2018 and  
5 October 2018

*Interim Dividend* HK1.0 cent per share

*Payment Date* 25 October 2018

# Financial Highlights

(Expressed in Hong Kong dollars)

## UNAUDITED FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2018 \$'000	2017 \$'000	
Revenue	1,442,589	1,053,749	36.9%
Profit from operations	18,348	2,984	514.9%
Profit attributable to shareholders	73,689	45,689	61.3%
Basic earnings per share	8.1 cents	5.0 cents	62.0%
Interim dividend per share	1.0 cent	1.0 cent	0.0%
	At 30 June 2018 \$'000	At 31 December 2017 \$'000	Change
Total assets	3,112,354	3,003,711	3.6%
Shareholders' equity	2,485,401	2,452,849	1.3%
Net asset value per share <sup>1</sup>	\$2.74	\$2.70	1.5%
Closing market price per share	\$0.89	\$0.98	
Net cash <sup>2</sup>	(749,964)	(804,901)	
Gearing ratio <sup>3</sup>	-30.2%	-32.8%	

Notes:

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

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

2. Borrowings – pledged deposits, cash and cash equivalents



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

## RESULTS

For the first half of 2018, the Group's unaudited consolidated profit attributable to shareholders was HK\$73,689,000, representing an increase of 61.3% compared with HK\$45,689,000 for the corresponding period last year. The basic earnings per share was HK8.1 cents, an increase of 62.0% from HK5.0 cents for the corresponding period last year.

## INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for 2018 of HK1.0 cent per share (2017: HK1.0 cent per share).

## BUSINESS REVIEW

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

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

As to the fresh and live foodstuffs business, avian flu still had an impact on the distribution and sales of live poultry business in the first half of 2018, no live poultry were imported into Hong Kong by the Group for the period. For the live pigs business, with the increased supply of live pigs from Mainland China, the price of live pigs decreased as compared to that for the corresponding period last year. While the Group's overall market share in the live pigs supply into Hong Kong was maintained at about 45%, the commission revenue from the distribution of livestock business decreased, resulting in a decrease in the segment profit of the fresh and live foodstuffs business of HK\$19,468,000 from that for the corresponding period last year.

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

## BUSINESS REVIEW (Continued)

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

### Tinplating

Zhongshan Zhongyue Tinplate Industrial Co., Ltd. (“Zhongyue Tinplate”) is a wholly-owned subsidiary of the Company. The Company holds a 66% interest in a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. (“Zhongyue Posco”), while the remaining 34% is held by POSCO Co., Ltd., an internationally renowned iron and steel enterprise. Currently, the annual production capacity of tinplate products and blackplates of the Group is 490,000 tonnes and 140,000 tonnes respectively, of which 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from Zhongyue Tinplate’s capacity, whereas 200,000 tonnes of tinplate products are from Zhongyue Posco’s capacity.

The revenue of the tinplating business accounted for 85.6% of the Group’s revenue. In the first half of 2018, the Group produced 166,072 tonnes of tinplate products, representing an increase of 24.2% as compared to that for the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 103,259 tonnes and 62,813 tonnes respectively, an increase of 23.1% and 26.0% respectively as compared to that for the corresponding period last year. In addition, the Group sold 162,924 tonnes of tinplate products, an increase of 23.8% as compared to that for the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 101,645 tonnes and 61,279 tonnes respectively, an increase of 21.6% and 27.7% respectively as compared to that for the corresponding period last year. The revenue for the period was HK\$1,234,976,000, an increase of 43.2% as compared to that for the corresponding period last year. The segment loss was HK\$22,047,000, a decrease of HK\$19,146,000 from the segment loss of HK\$41,193,000 for the corresponding period last year.

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

## **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 2018, the revenue of the fresh and live foodstuffs business amounted to HK\$196,872,000, representing an increase of 8.4% as compared to that for the corresponding period last year. Together with the share of losses of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$5,164,000 (30 June 2017: share of profits of HK\$6,742,000), the segment profit was HK\$31,474,000, representing a decrease of HK\$19,468,000 or 38.2% as compared to that for the corresponding period last year. Avian flu still had an impact on the distribution and sales of live poultry business in the current period, no live poultry were imported into Hong Kong by the Group. The significant drop in the price of live pigs during the first half of the year resulted in a decrease in the commission revenue from the distribution of livestock business and losses were incurred by the two associates, which are engaged in pig farming and sales of pigs.

Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, the service standards of the Group were enhanced as a result. The Group also actively maintained the market supply. The overall market share in the live pigs supply into Hong Kong was about 45%. This provided a certain contribution to the earnings of the Group.

### **Property Leasing**

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

In the first half of 2018, the property occupancy rate for the property leasing business of the Group was 95.0%, representing an increase of 2.4 percentage points as compared to that for the corresponding period last year. Revenue was HK\$10,741,000, an increase of 8.7% as compared to that for the corresponding period last year. The segment profit amounted to HK\$7,830,000, an increase of 17.9% as compared to that for the corresponding period last year. In addition, the property market in Hong Kong continues to improve, the value of investment properties in Hong Kong held by the Group increased and valuation gains on investment properties of HK\$61,224,000 (30 June 2017: HK\$14,230,000) were recorded for the period.

## BUSINESS REVIEW (Continued)

### Yellow Dragon

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

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

## FINANCIAL POSITION

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

### Liquidity and Financial Resources

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

As at 31 December 2017, the Group had outstanding loans from a related company denominated in United States Dollars equivalent to HK\$39,000,000, which were repayable within 1 year and subject to floating interest rate. The annual interest rate was 3-month London Interbank Offered Rate +1.3%. During the six months ended 30 June 2018, these loans have been fully repaid.

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

As at 30 June 2018, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$274,072,000, of which HK\$191,373,000 was utilised and HK\$82,699,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.



## FINANCIAL POSITION (Continued)

### Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2018 amounted to HK\$29,902,000 (30 June 2017: HK\$7,407,000). Capital commitments outstanding at 30 June 2018 not provided for in the financial statements amounted to HK\$42,683,000 (31 December 2017: HK\$70,194,000), mainly for the construction of a new production line of Zhongyue Tinplate. It is expected that the capital expenditure for 2018 will be approximately HK\$74,000,000.

### Acquisitions and Disposals of Investments

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

### Pledge of Assets

As at 31 December 2017, the Group's interest in Guangdong Baojin was pledged to the major shareholder of Guangdong Baojin as a security for a loan and the related interest due to this shareholder by Guangdong Baojin, and the guarantee amounted to HK\$7,636,000. The pledge was expired during the six months ended 30 June 2018. In addition, as at 30 June 2018, deposits at banks of HK\$29,014,000 (31 December 2017: HK\$22,118,000) and HK\$7,732,000 (31 December 2017: HK\$Nil) were pledged as securities for bills payable and forward foreign exchange contracts respectively. Other than the above, none of the assets of the Group was pledged.

### Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

### Exchange Rate and Interest Rate Exposures

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

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2018, forward foreign exchange contracts of USD20,000,000 (equivalent to HK\$156,000,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2017, no forward foreign exchange contract was held by the Group.

The Group's interest rate risk arises primarily from pledged deposits and cash and cash equivalents. Lendings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As the Group considers that its current exposure to interest rate risk is not material, no interest rate hedging has been carried out. The management closely monitors the changes in market interest rates.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 1,096 full-time employees, a decrease of 33 from 1,129 at the end of 2017. 210 employees were based in Hong Kong and 886 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2018, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

## PROSPECTS

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



# 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 36 which comprises the consolidated statement of financial position of Guangnan (Holdings) Limited as of 30 June 2018 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 2018 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 2018

# Consolidated Income Statement

for the six months ended 30 June 2018 – unaudited  
(Expressed in Hong Kong dollars)

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

The notes on pages 18 to 36 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 2018 – unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
<b>Profit for the period</b>	<b>69,996</b>	42,167
<b>Other comprehensive income for the period:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(12,981)	46,116
– associates outside Hong Kong	(2,157)	9,362
– tax benefit/(expense) related to a subsidiary outside Hong Kong	352	(1,205)
Net-of-tax amount	(14,786)	54,273
<b>Total comprehensive income for the period</b>	<b>55,210</b>	96,440
<b>Attributable to:</b>		
Equity shareholders of the Company	59,780	96,248
Non-controlling interests	(4,570)	192
<b>Total comprehensive income for the period</b>	<b>55,210</b>	96,440

The notes on pages 18 to 36 form part of this interim financial report.

# Consolidated Statement of Financial Position

at 30 June 2018

(Expressed in Hong Kong dollars)

	Note	At 30 June 2018 Unaudited \$'000	At 31 December 2017 Audited \$'000
<b>Non-current assets</b>			
Investment properties	8	476,197	416,507
Other property, plant and equipment	8	556,037	564,350
Interests in leasehold land held for own use under operating leases		101,469	104,129
		<b>1,133,703</b>	1,084,986
Interest in associates		270,994	286,261
Deposits and prepayments	10	3,668	2,122
Deferred tax assets		58	219
		<b>1,408,423</b>	1,373,588
<b>Current assets</b>			
Inventories	9	310,130	274,453
Trade and other receivables, deposits and prepayments	10	642,125	510,497
Current tax recoverable		1,712	1,272
Pledged deposits	19(b)	36,746	22,118
Cash and cash equivalents	11	713,218	821,783
		<b>1,703,931</b>	1,630,123
<b>Current liabilities</b>			
Trade and other payables	12	446,755	320,977
Loans from a related company	13	–	39,000
Current tax payable		8,877	12,106
		<b>455,632</b>	372,083
<b>Net current assets</b>		<b>1,248,299</b>	1,258,040
<b>Total assets less current liabilities</b>		<b>2,656,722</b>	2,631,628

# Consolidated Statement of Financial Position (Continued)

at 30 June 2018  
(Expressed in Hong Kong dollars)

	At 30 June 2018 Unaudited \$'000	At 31 December 2017 Audited \$'000
<b>Non-current liabilities</b>		
Deferred tax liabilities	18,367	21,255
<b>NET ASSETS</b>	<b>2,638,355</b>	2,610,373
<b>CAPITAL AND RESERVES</b>		
Share capital	459,651	459,651
Reserves	2,025,750	1,993,198
<b>Total equity attributable to equity shareholders of the Company</b>	<b>2,485,401</b>	2,452,849
<b>Non-controlling interests</b>	<b>152,954</b>	157,524
<b>TOTAL EQUITY</b>	<b>2,638,355</b>	2,610,373

The notes on pages 18 to 36 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018 – 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
<b>Balance at 1 January 2018</b>	<b>459,651</b>	<b>245,418</b>	<b>2,121</b>	<b>107,440</b>	<b>69,501</b>	<b>1,568,718</b>	<b>2,452,849</b>	<b>157,524</b>	<b>2,610,373</b>
<b>Changes in equity for the six months ended 30 June 2018:</b>									
Profit for the period	-	-	-	-	-	73,689	73,689	(3,693)	69,996
Other comprehensive income	-	(13,909)	-	-	-	-	(13,909)	(877)	(14,786)
<b>Total comprehensive income</b>	<b>-</b>	<b>(13,909)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,689</b>	<b>59,780</b>	<b>(4,570)</b>	<b>55,210</b>
Dividends approved in respect of the previous year	14(b)	-	-	-	-	(27,228)	(27,228)	-	(27,228)
<b>Balance at 30 June 2018</b>	<b>459,651</b>	<b>231,509</b>	<b>2,121</b>	<b>107,440</b>	<b>69,501</b>	<b>1,615,179</b>	<b>2,485,401</b>	<b>152,954</b>	<b>2,638,355</b>

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
<b>Balance at 1 January 2017</b>	<b>459,651</b>	<b>132,026</b>	<b>2,121</b>	<b>107,440</b>	<b>67,145</b>	<b>1,541,581</b>	<b>2,309,964</b>	<b>160,826</b>	<b>2,470,790</b>
<b>Changes in equity for the six months ended 30 June 2017:</b>									
Profit for the period	-	-	-	-	-	45,689	45,689	(3,522)	42,167
Other comprehensive income	-	50,559	-	-	-	-	50,559	3,714	54,273
<b>Total comprehensive income</b>	<b>-</b>	<b>50,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,689</b>	<b>96,248</b>	<b>192</b>	<b>96,440</b>
Dividends approved in respect of the previous year	14(b)	-	-	-	-	(27,228)	(27,228)	-	(27,228)
<b>Balance at 30 June 2017</b>	<b>459,651</b>	<b>182,585</b>	<b>2,121</b>	<b>107,440</b>	<b>67,145</b>	<b>1,560,042</b>	<b>2,378,984</b>	<b>161,018</b>	<b>2,540,002</b>



# Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2018 – unaudited  
(Expressed in Hong Kong dollars)

	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		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2017</b>	459,651	182,585	2,121	107,440	67,145	1,560,042	2,378,984	161,018	2,540,002
<b>Changes in equity for the six months ended 31 December 2017:</b>									
Profit for the period	-	-	-	-	-	20,108	20,108	(6,475)	13,633
Other comprehensive income	-	62,833	-	-	-	-	62,833	4,451	67,284
<b>Total comprehensive income</b>	-	62,833	-	-	-	20,108	82,941	(2,024)	80,917
Transfer to statutory reserves	-	-	-	-	2,356	(2,356)	-	-	-
Dividends declared to minority shareholder	-	-	-	-	-	-	-	(1,470)	(1,470)
Dividends approved in respect of the current year	14(a)	-	-	-	-	(9,076)	(9,076)	-	(9,076)
<b>Balance at 31 December 2017</b>	459,651	245,418	2,121	107,440	69,501	1,568,718	2,452,849	157,524	2,610,373

The notes on pages 18 to 36 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2018 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018 \$'000	2017 \$'000
<b>Operating activities</b>			
Cash generated from operations		6,590	447
Tax paid		(3,794)	(4,062)
<b>Net cash generated from/(used in) operating activities</b>		<b>2,796</b>	<b>(3,615)</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(28,706)	(11,661)
Dividends received from associates		6,240	4,491
Loan advanced to an associate		(10,201)	–
(Increase)/decrease in restricted or pledged deposits		(14,816)	627
Decrease in bank deposits with more than three months of maturity when placed		–	56,940
Other cash flows arising from investing activities		53	121
<b>Net cash (used in)/generated from investing activities</b>		<b>(47,430)</b>	<b>50,518</b>
<b>Financing activities</b>			
Dividends paid to equity shareholders of the Company		(27,228)	(27,228)
Repayment of loans from a related company		(39,000)	(3,900)
<b>Net cash used in financing activities</b>		<b>(66,228)</b>	<b>(31,128)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(110,862)</b>	<b>15,775</b>
Cash and cash equivalents at 1 January	11	821,783	564,672
Effect of foreign exchange rates changes		2,297	5,400
Cash and cash equivalents at 30 June	11	713,218	585,847

The notes on pages 18 to 36 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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 2017 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* are relevant to the Group's financial statements.

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

### **HKFRS 9, *Financial instruments***

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

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

### **HKFRS 15, *Revenue from contracts with customers***

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

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

## 3 REVENUE AND SEGMENT REPORTING

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

- Tinplating : this segment produces and sells tinfoils 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 indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (a) Disaggregation of revenue

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

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

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

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment results, assets and liabilities

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

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

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
<b>Profit</b>		
Reportable segment profit derived from the Group's external customers and associates	17,257	16,392
Unallocated head office and corporate income and expenses	(4,073)	(6,666)
Valuation gains on investment properties	61,224	14,230
Finance costs	(12)	(489)
Share of (loss)/profit of an associate not attributable to any segment	(6,551)	17,434
Consolidated profit before taxation	67,845	40,901
	At 30 June 2018 \$'000	At 31 December 2017 \$'000
<b>Assets</b>		
Reportable segment assets	2,566,331	2,497,810
Interest in an associate not attributable to any segment	184,247	192,254
Unallocated head office and corporate assets	361,776	313,647
Consolidated total assets	3,112,354	3,003,711
<b>Liabilities</b>		
Reportable segment liabilities	467,835	386,346
Unallocated head office and corporate liabilities	6,164	6,992
Consolidated total liabilities	473,999	393,338

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 OTHER REVENUE AND NET LOSSES

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
<b>Other revenue</b>		
Interest income	6,809	4,737
Subsidies received	342	2,412
Others	739	2,930
	<b>7,890</b>	10,079
<b>Other net losses</b>		
Net realised and unrealised exchange gain/(loss)	2,110	(6,918)
Net losses on forward foreign exchange contracts	(6,295)	–
Impairment losses on other property, plant and equipment (note 8(b))	–	(4,572)
Others	(28)	(117)
	<b>(4,213)</b>	(11,607)



# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION

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

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

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

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018. Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.
- (ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

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



# 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 2018 is based on the profit attributable to ordinary equity shareholders of the Company of \$73,689,000 (30 June 2017: \$45,689,000) and 907,593,000 (30 June 2017: 907,593,000) ordinary shares in issue during the period.

### (b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 June 2018 and 2017.

## 8 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and transfers

During the six months ended 30 June 2018, the Group had additions to property, plant and equipment with a cost of \$29,902,000 (30 June 2017: \$7,407,000). Also, the Group transferred construction in progress with a carrying amount of \$211,000 (30 June 2017: \$3,465,000) to other property, plant and equipment upon completion.

### (b) Impairment losses

During the six months ended 30 June 2017, an old production line in the tinplating segment was dismantled for the construction of a new production line (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 2018 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Vigers Appraisal and Consulting Limited, using the same valuation techniques as were used by these valuers when carrying out the December 2017 valuations. As a result of the update, valuation gains of \$61,224,000 (30 June 2017: \$14,230,000) have been recognised in profit or loss for the period.

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 INVENTORIES

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

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 \$1,571,000 during the period (30 June 2017: \$5,851,000).

## 10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Trade debtors	269,244	178,982
Bills receivable	63,163	129,727
Other receivables, deposits and prepayments	251,769	174,637
Amounts due from related companies (note (i))	36,446	9,320
Amounts due from associates (note (ii))	14,970	19,953
Loan to an associate (note (iii))	10,201	–
	<b>645,793</b>	512,619
Less: Deposits and prepayments (non-current portion) (note (iv))	<b>(3,668)</b>	(2,122)
Trade and other receivables, deposits and prepayment (current portion)	<b>642,125</b>	510,497

# 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)

Notes:

- (i) The amounts represent trade balances due from companies related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) As at 30 June 2018 and 31 December 2017, the amounts due from associates represented interest receivable and dividend receivables (net of dividend withholding tax) from associates which were unsecured, interest-free and recoverable on demand.
- (iii) As at 30 June 2018, the loan to an associate was unsecured, interest-bearing at 5.0% per annum and repayable within one year.
- (iv) As at 30 June 2018 and 31 December 2017, the deposits and prepayments (non-current portion) represented deposits mainly for acquisition of equipment in relation to other property, plant and equipment.

As of the end of the reporting period, the ageing analysis of trade debtors, bills receivable and trade balances due from related companies (which are included in trade and other receivables, deposits and prepayments), net of loss allowance, is as follows:

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Within 1 month	368,791	309,215
1 to 3 months	–	8,784
Over 3 months	62	30
	<b>368,853</b>	318,029

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

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 CASH AND CASH EQUIVALENTS

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

## 12 TRADE AND OTHER PAYABLES

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Trade creditors	68,428	38,603
Bills payable	177,773	160,591
Other payables and accrued charges	101,599	102,984
Amounts due to a related company (note (i))	91,400	15,583
Amount due to an associate (note (ii))	725	2,684
Amounts due to fellow subsidiaries (note (iii))	211	532
Derivative financial instruments (note 15)	6,619	–
	446,755	320,977

Notes:

- (i) The amounts represent trade balances due to a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) The amount represents trade balance due to an associate.
- (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 \$1,775,000 (31 December 2017: \$660,000), 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 an associate (which are included in trade and other payables) is as follows:

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

## 13 LOANS FROM A RELATED COMPANY

As at 31 December 2017, the loans were provided to a non-wholly owned subsidiary of the Group by a company related to the minority shareholder of this non-wholly owned subsidiary. The loans were unsecured, interest-bearing at 3-month London Interbank Offered Rate +1.3% per annum and repayable within one year.

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

## 14 DIVIDENDS

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

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2017: 1.0 cent) per ordinary share	9,076	9,076

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

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 DIVIDENDS (Continued)

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

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 3.0 cents (30 June 2017: 3.0 cents) per ordinary share	27,228	27,228

## 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.



# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

#### *Fair value hierarchy (Continued)*

Valuation reports on fair value measurement of financial instruments are prepared by the 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 2018 \$'000	Fair value measurements as at 30 June 2018 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Derivative financial instruments:</b>				
Forward foreign exchange contracts – Liabilities (note 12)	6,619	–	6,619	–

	Fair value at 31 December 2017 \$'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Derivative financial instruments:</b>				
Forward foreign exchange contracts – Liabilities (note 12)	–	–	–	–

During the six months ended 30 June 2018 and 2017, 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 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 2018 and 31 December 2017.

# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 2018 was \$7,635,000 (30 June 2017: \$6,621,000).

## 17 CAPITAL COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2018 not provided for in the interim financial report were as follows:

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Contracted for	22,754	48,318
Authorised but not contracted for	19,929	21,876
	<b>42,683</b>	70,194

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 RMB59 million (equivalent to approximately \$70 million).

- (b) At 30 June 2018, the Group had committed to provide additional capital of \$6,489,000 (31 December 2017: \$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	
		2018 \$'000	2017 \$'000
Sales of goods to related companies	(i)	311,189	203,215
Commission paid/payable to a related company	(i), (ii)	4,606	2,903
Commission received/receivable from associates	(iii)	8,302	10,021
Purchases of goods from associates	(iv)	2,777	6,695
Purchases of goods from related companies including transport services fee paid/payable	(i)	220,119	205,013
Purchases of electricity from a fellow subsidiary	(v)	14,973	–

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	
	2018 \$'000	2017 \$'000
Short-term employee benefits	1,182	1,053
Post-employment benefits	236	237
	<b>1,418</b>	1,290



# Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 PLEDGE OF ASSETS

- (a) As at 31 December 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 \$7,636,000. The pledge was expired during the six months ended 30 June 2018.
- (b) As at 30 June 2018, deposits at banks of \$29,014,000 (31 December 2017: \$22,118,000) and \$7,732,000 (31 December 2017: \$Nil) were pledged as securities for bills payable and forward foreign exchange contracts respectively.

## 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 2018, 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%
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 2018.

# 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
				(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 2018.

#### (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 2018	Granted during the period	Exercised during the period	Cancelled/lapsed during the period					At 30 June 2018
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%

# 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 ("Guangdong 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
Liang Jianqin	Personal	56,222	Long position	0.003%

(Note)

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Guangdong Land in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its 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.

## Supplementary Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, 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 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 2018.
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 2018, the Company has not been notified by any persons (other than Directors and chief executives of the Company) who had 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.



# Supplementary Information (Continued)

## 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 2018.

### 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 2018.

### Change in Director's Information

Dr. Wong Yau Kar, David resigned as an independent non-executive director of Concord New Energy Group Limited, a company listed on the Stock Exchange on 4 June 2018. Dr. Wong has ceased to be the chairman of Protection of Wages on Insolvency Fund Board since 1 April 2018. He has also ceased to be the chairman of Land and Development Advisory Committee since 1 July 2018.

### Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2018. In addition, the Company's external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

### Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

### Interim Dividend

The Board has resolved to declare the payment of an interim dividend for 2018 of HK1.0 cent per share (2017: HK1.0 cent per share). The interim dividend will be paid on Thursday, 25 October 2018 to the shareholders whose names appear on the register of members of the Company on Friday, 5 October 2018.

### Closure of Register of Members

The register of members of the Company will be closed on Thursday, 4 October 2018 and Friday, 5 October 2018. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 3 October 2018.

By order of the Board  
**Tan Yunbiao**  
Chairman

Hong Kong, 29 August 2018



**GDH**

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

