



2019

Interim Report
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 30 August 2019)

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

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SHARE REGISTRAR

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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>	2 October 2019
<i>Closure of Register of Members</i>	3 October 2019 and 4 October 2019
<i>Interim Dividend Payment Date</i>	HK1.0 cent per share 25 October 2019

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2019 \$'000	2018 \$'000	
Revenue	1,176,577	1,442,589	-18.4%
Profit from operations	53,088	18,348	189.3%
Profit attributable to shareholders	32,949	73,689	-55.3%
Basic earnings per share	3.6 cents	8.1 cents	-55.6%
Interim dividend per share	1.0 cent	1.0 cent	0.0%
	At 30 June 2019 \$'000	At 31 December 2018 \$'000	Change
Total assets	3,010,351	2,958,801	1.7%
Shareholders' equity	2,455,959	2,456,449	0.0%
Net asset value per share ¹	\$2.71	\$2.71	0.0%
Closing market price per share	\$0.93	\$0.88	
Net cash ²	(787,062)	(824,785)	
Gearing ratio ³	-32.0%	-33.6%	

Notes:

- $$\frac{\text{Shareholders' equity}}{\text{Number of ordinary shares in issue}}$$
- Borrowings – pledged deposits, cash and cash equivalents

- $$\frac{\text{Net cash}}{\text{Shareholders' equity}}$$

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

RESULTS

For the first half of 2019, the Group's unaudited consolidated profit attributable to shareholders was HK\$32,949,000, representing a decrease of 55.3% compared with HK\$73,689,000 for the corresponding period last year. The basic earnings per share was HK3.6 cents, a decrease of 55.6% from HK8.1 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 2019 of HK1.0 cent per share (2018: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2019, the Group's consolidated revenue was HK\$1,176,577,000, representing a decrease of HK\$266,012,000 or 18.4% from HK\$1,442,589,000 for the corresponding period last year. Profit from operations was HK\$53,088,000, representing an increase of HK\$34,740,000 or 189.3% from HK\$18,348,000 for the corresponding period last year.

In respect of our tinsplating business, the industry remained stable but weak and excess capacity has not been fundamentally changed. The demand from some downstream business in European and Middle East regions as well as Mainland China decreased as affected by economic conditions. Sales volume of tinsplate products in the first half of 2019 decreased by 34,806 tonnes, representing a decrease of 21.4% as compared to that for the corresponding period last year. Selling price of tinsplate products remained stable during the period. The revenue was HK\$985,289,000, a decrease of HK\$249,687,000 or 20.2% as compared to that for the corresponding period last year. The segment profit was HK\$18,376,000, an increase in segment profit of HK\$40,423,000 from the segment loss of HK\$22,047,000 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 2019, and therefore no live poultry were imported into Hong Kong by the Group for the period. For the live pigs business, the sales volume and price of live pigs were comparatively stable in the first four months of 2019. However, the supply of live pigs from Mainland China decreased after the two incidents of African swine fever occurred in Sheung Shui slaughterhouse in Hong Kong in May 2019, resulting in the decrease in revenue of self-operated live pigs business. The price of live pigs significantly increased as a result of the decreased supply. The sales volume of fresh pork retail business decreased, while profits decreased due to the increase in costs. The revenue was HK\$180,596,000, a decrease of HK\$16,276,000 or 8.3% as compared to that for the corresponding period last year. The segment profit was HK\$28,892,000, a decrease of HK\$2,582,000 or 8.2% as compared to that for the corresponding period last year. The Group's overall market share in the live pigs supply into Hong Kong was about 48% in the first half of 2019.

BUSINESS REVIEW (Continued)

In respect of the property leasing business, the rental income for the first half of 2019 decreased by HK\$49,000 from that for the corresponding period last year, and the segment profit decreased by HK\$209,000 from that for the corresponding period last year. The value of investment properties held by the Group remained stable such that no valuation gains on investment properties were recorded for the current period as compared to valuation gains of HK\$61,224,000 recorded in the corresponding period last year.

For the associates, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") recorded a loss of HK\$34,196,000 for the first half of 2019 mainly due to the decreased government grants income. In addition, the pig farming business environment is relatively volatile even though the price of pigs has rebounded in the first half of 2019. Losses were 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\$3,299,000.

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 83.7% of the Group's revenue. In the first half of 2019, with the decreased demand from some downstream business, the Group produced 137,853 tonnes of tinplate products, representing a decrease of 17.0% as compared to that for the corresponding period last year. Among which, Zhongyue Tinplate and Zhongyue Posco produced 89,405 tonnes and 48,448 tonnes respectively, a decrease of 13.4% and 22.9% respectively as compared to that for the corresponding period last year. In addition, the Group sold 128,118 tonnes of tinplate products, a decrease of 21.4% as compared to that for the corresponding period last year, of which, Zhongyue Tinplate and Zhongyue Posco sold 82,695 tonnes and 45,423 tonnes respectively, a decrease of 18.6% and 25.9% respectively as compared to that for the corresponding period last year. The revenue for the period was HK\$985,289,000, a decrease of HK\$249,687,000 or 20.2% as compared to that for the corresponding period last year. The segment profit was HK\$18,376,000, an increase in segment profit of HK\$40,423,000 from the segment loss of HK\$22,047,000 for the corresponding period last year.

Due to the intense market competition, the Group made endeavors to adjust 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 strived to make 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 2019, the revenue of the fresh and live foodstuffs business amounted to HK\$180,596,000, representing a decrease of HK\$16,276,000 or 8.3% 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\$3,299,000 (30 June 2018: HK\$5,164,000), the segment profit was HK\$28,892,000, representing a decrease of HK\$2,582,000 or 8.2% 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 first half of 2019, and therefore no live poultry were imported into Hong Kong by the Group for the period. For the live pigs business, the sales volume and price of live pigs were comparatively stable in the first four months of 2019. However, the supply of live pigs from Mainland China decreased after the two incidents of African swine fever occurred in Sheung Shui slaughterhouse in Hong Kong in May 2019, resulting in the decrease in revenue of self-operated live pigs business. The price of live pigs significantly increased as a result of the decreased supply. The sales volume of fresh pork retail business decreased, while profits decreased due to the increase in costs. In addition, the pig farming business environment is relatively volatile even though the price of pigs has rebounded in the first half of 2019. 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, enhanced service standards and actively maintained the market supply, the overall market share in the live pigs supply into Hong Kong was about 48%. 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 2019, the property occupancy rate for the property leasing business of the Group was 91.3%, representing a decrease of 3.7 percentage points as compared to that for the corresponding period last year. Revenue was HK\$10,692,000, a decrease of 0.5% as compared to that for the corresponding period last year. The segment profit amounted to HK\$7,621,000, a decrease of 2.7% as compared to that for the corresponding period last year. In addition, the value of investment properties held by the Group remained stable such that no valuation gains on investment properties were recorded for the current period as compared to valuation gains of HK\$61,224,000 recorded in the corresponding period last year.

BUSINESS REVIEW (Continued)

Yellow Dragon

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

In the first half of 2019, Yellow Dragon recorded a sales volume of 168,468 tonnes of corn starch, its major product, representing a decrease of 11.3% as compared to that for the corresponding period last year. Product selling prices decreased during the period. Revenue amounted to HK\$667,045,000, a decrease of 22.0% as compared to that for the corresponding period last year. Due to the significant decrease in government grants income, loss increased as compared to the corresponding period last year. Yellow Dragon recorded a loss of HK\$34,196,000 in the first half of 2019. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK\$13,678,000 (30 June 2018: HK\$6,551,000).

FINANCIAL POSITION

As at 30 June 2019, the Group's total assets and total liabilities amounted to HK\$3,010,351,000 and HK\$404,530,000, representing an increase of HK\$51,550,000 and HK\$50,585,000 respectively when compared with the positions at the end of 2018. Net current assets increased from HK\$1,284,323,000 at the end of 2018 to HK\$1,320,179,000 as at 30 June 2019. The current ratio (current assets divided by current liabilities) decreased from 4.8 at the end of 2018 to 4.5 as at 30 June 2019.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2019 was HK\$763,446,000, representing a decrease of 3.9% when compared with the position at the end of 2018, of which 35.8% was denominated in Renminbi, 31.2% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income increased from HK\$6,809,000 for the corresponding period last year to HK\$8,289,000 for the period.

As at 30 June 2019, 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 -32.0% (31 December 2018: -33.6%).

As at 30 June 2019, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$503,065,000, of which HK\$262,318,000 was utilised and HK\$240,747,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2019 amounted to HK\$17,177,000 (30 June 2018: HK\$29,902,000). Capital commitments outstanding at 30 June 2019 not provided for in the financial statements amounted to HK\$9,252,000 (31 December 2018: HK\$26,428,000), mainly for the renovation of production equipment of Zhongyue Tinplate. It is expected that the capital expenditure for 2019 will be approximately HK\$40,000,000.

FINANCIAL POSITION (Continued)

Acquisitions and Disposals of Investments

The Group had no material acquisitions and disposals of investments during the first half of 2019.

Pledge of Assets

As at 30 June 2019, deposits at banks of HK\$23,616,000 (31 December 2018: HK\$30,655,000) were pledged as securities for bills payable. Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2019, 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 or entering into forward foreign exchange contracts 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 2019, forward foreign exchange contracts of USD17,500,000 (equivalent to HK\$136,500,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2018, forward foreign exchange contracts of USD6,000,000 (equivalent to HK\$46,800,000) against Renminbi were held by the Group.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents and loans to an associate. 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 2019, the Group had a total of 1,083 full-time employees, a decrease of 26 from 1,109 at the end of 2018. 198 employees were based in Hong Kong and 885 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 2019, 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

The current momentum for global economic turnaround remains weak. The slowing down of growth of global trade and the trend of de-globalisation 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 established in Mainland China, so as to constantly enhance its supply chain management and develop new profit growth points. On the other hand, the Group will continue to pay attention to the impact of African swine fever on live pigs supply into Hong Kong and strengthen its liaisons with the industry participants to ensure the normal supply of live pigs into Hong Kong. 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 2019 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 2019 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

30 August 2019

Consolidated Income Statement

for the six months ended 30 June 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019 \$'000	2018 (Note) \$'000
Revenue	3	1,176,577	1,442,589
Cost of sales		(1,047,147)	(1,339,010)
Gross profit		129,430	103,579
Other revenue	4	9,846	7,890
Other net losses	4	(2,333)	(4,213)
Selling and distribution costs		(29,462)	(37,326)
Administrative expenses		(54,393)	(51,432)
Other operating expenses		–	(150)
Profit from operations		53,088	18,348
Valuation gains on investment properties	8(c)	–	61,224
Finance costs	5(a)	(5)	(12)
Share of losses of associates		(16,977)	(11,715)
Profit before taxation	5	36,106	67,845
Income tax	6	(1,257)	2,151
Profit for the period		34,849	69,996
Attributable to:			
Equity shareholders of the Company		32,949	73,689
Non-controlling interests		1,900	(3,693)
Profit for the period		34,849	69,996
Earnings per share			
Basic	7(a)	3.6 cents	8.1 cents
Diluted	7(b)	3.6 cents	8.1 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 13.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019 \$'000	2018 (Note) \$'000
Profit for the period	34,849	69,996
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	(6,126)	(12,981)
– associates outside Hong Kong	(690)	(2,157)
– tax benefit related to a subsidiary outside Hong Kong	160	352
Net-of-tax amount	(6,656)	(14,786)
Total comprehensive income for the period	28,193	55,210
Attributable to:		
Equity shareholders of the Company	26,738	59,780
Non-controlling interests	1,455	(4,570)
Total comprehensive income for the period	28,193	55,210

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

Consolidated Statement of Financial Position

at 30 June 2019
(Expressed in Hong Kong dollars)

	Note	At 30 June 2019 Unaudited \$'000	At 31 December 2018 Audited (Note) \$'000
Non-current assets			
Investment properties	8	460,094	460,706
Other property, plant and equipment	2, 8	610,394	622,701
		1,070,488	1,083,407
Interest in associates		235,554	253,221
Deposits and prepayments	10	2,219	3,612
Deferred tax assets		76	–
		1,308,337	1,340,240
Current assets			
Inventories	9	345,853	298,473
Trade and other receivables, deposits and prepayments	10	565,797	494,453
Current tax recoverable		3,302	850
Pledged deposits	18	23,616	30,655
Cash and cash equivalents	11	763,446	794,130
		1,702,014	1,618,561
Current liabilities			
Trade and other payables	12	377,966	328,617
Lease liabilities	2	186	–
Current tax payable		3,683	5,621
		381,835	334,238
Net current assets		1,320,179	1,284,323
Total assets less current liabilities		2,628,516	2,624,563

Consolidated Statement of Financial Position (Continued)

at 30 June 2019
(Expressed in Hong Kong dollars)

	Note	At 30 June 2019 Unaudited \$'000	At 31 December 2018 Audited (Note) \$'000
Non-current liabilities			
Deferred tax liabilities		22,695	19,707
NET ASSETS		2,605,821	2,604,856
CAPITAL AND RESERVES			
Share capital		459,651	459,651
Reserves		1,996,308	1,996,798
Total equity attributable to equity shareholders of the Company		2,455,959	2,456,449
Non-controlling interests		149,862	148,407
TOTAL EQUITY		2,605,821	2,604,856

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 2019 – 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 2019	459,651	166,945	2,121	107,440	69,501	1,650,791	2,456,449	148,407	2,604,856
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	-	-	-	-	-	32,949	32,949	1,900	34,849
Other comprehensive income	-	(6,211)	-	-	-	-	(6,211)	(445)	(6,656)
Total comprehensive income	-	(6,211)	-	-	-	32,949	26,738	1,455	28,193
Dividends approved in respect of the previous year	13(b)	-	-	-	-	(27,228)	(27,228)	-	(27,228)
Balance at 30 June 2019	459,651	160,734	2,121	107,440	69,501	1,656,512	2,455,959	149,862	2,605,821

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

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2019 – 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
Balance at 1 July 2018	459,651	231,509	2,121	107,440	69,501	1,615,179	2,485,401	152,954	2,638,355
Changes in equity for the six months ended 31 December 2018:									
Profit for the period	-	-	-	-	-	44,688	44,688	838	45,526
Other comprehensive income	-	(64,564)	-	-	-	-	(64,564)	(4,405)	(68,969)
Total comprehensive income	-	(64,564)	-	-	-	44,688	(19,876)	(3,567)	(23,443)
Dividends declared to minority shareholder	-	-	-	-	-	-	-	(980)	(980)
Dividends approved in respect of the current year	13(a)	-	-	-	-	(9,076)	(9,076)	-	(9,076)
Balance at 31 December 2018 (Note)	459,651	166,945	2,121	107,440	69,501	1,650,791	2,456,449	148,407	2,604,856

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019 \$'000	2018 (Note) \$'000
Operating activities			
Cash generated from operations		8,643	6,590
Tax paid		(2,440)	(3,794)
Net cash generated from operating activities		6,203	2,796
Investing activities			
Payment for the purchase of property, plant and equipment		(10,034)	(28,706)
Dividend received from an associate		–	6,240
Loans advanced to an associate		(5,768)	(10,201)
Decrease/(increase) in pledged deposits		6,918	(14,816)
Other cash flows arising from investing activities		40	53
Net cash used in investing activities		(8,844)	(47,430)
Financing activities			
Capital element of lease rentals paid		(138)	–
Interest element of lease rentals paid		(5)	–
Dividends paid to equity shareholders of the Company		(27,228)	(27,228)
Repayment of loans from a related company		–	(39,000)
Net cash used in financing activities		(27,371)	(66,228)
Net decrease in cash and cash equivalents		(30,012)	(110,862)
Cash and cash equivalents at 1 January	11	794,130	821,783
Effect of foreign exchange rates changes		(672)	2,297
Cash and cash equivalents at 30 June	11	763,446	713,218

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 2018 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 2018 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases* which is relevant to the Group's financial statements, none of the developments have 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there is no impact of transition to HKFRS 16 on the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.7%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedient at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

The following table reconciles the operating lease commitments as disclosed in note 16(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 \$'000
Operating lease commitments at 31 December 2018	3,224
Less: Commitments relating to leases exempt from capitalisation:	
– Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,889)
	335
Less: Total future interest expenses	(11)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	324

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities at 1 January 2019.

The Group is not required to make any adjustments at the date of initial application of HKFRS 16 and there is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in “other property, plant and equipment” and presents lease liabilities separately in the statement of financial position.

The impacts of the adoption of HKFRS 16 on the consolidated statement of financial position, financial result, segment results and cash flows of the Group are insignificant.

3 REVENUE AND SEGMENT REPORTING

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise 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	
	2019 \$'000	2018 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
– Tinplate products	985,289	1,234,976
– Fresh and live foodstuffs	141,900	159,679
	1,127,189	1,394,655
Commission income from the distribution of fresh and live foodstuffs	38,696	37,193
Revenue from other sources		
Rental income from property leasing	10,692	10,741
	1,176,577	1,442,589
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	217,615	243,755
Mainland China	549,575	517,580
Asian countries (excluding Mainland China and Hong Kong)	290,962	359,837
Other countries	118,425	321,417
	958,962	1,198,834
	1,176,577	1,442,589

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 2019 of \$3,862,000 (30 June 2018: \$3,337,000) and \$6,830,000 (30 June 2018: \$7,404,000) 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 (Note) \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 (Note) \$'000
For the six months ended 30 June								
Reportable segment revenue	985,289	1,234,976	180,596	196,872	10,692	10,741	1,176,577	1,442,589
Reportable segment profit/(loss)	18,376	(22,047)	28,892	31,474	7,621	7,830	54,889	17,257
As at 30 June/ 31 December								
Reportable segment assets (including interest in associates)	1,752,743	1,694,450	244,380	262,464	461,116	462,199	2,458,239	2,419,113
Reportable segment liabilities	320,466	285,856	26,894	18,182	45,198	40,346	392,558	344,384

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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	
	2019	2018
	\$'000	(Note) \$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	54,889	17,257
Unallocated income and expenses	(5,100)	(4,073)
Valuation gains on investment properties	–	61,224
Finance costs	(5)	(12)
Share of loss of an associate not attributable to any segment	(13,678)	(6,551)
Consolidated profit before taxation	36,106	67,845
Assets		
Reportable segment assets	2,458,239	2,419,113
Interest in an associate not attributable to any segment	155,878	170,009
Unallocated assets	396,234	369,679
Consolidated total assets	3,010,351	2,958,801
Liabilities		
Reportable segment liabilities	392,558	344,384
Unallocated liabilities	11,972	9,561
Consolidated total liabilities	404,530	353,945

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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	
	2019 \$'000	2018 \$'000
Other revenue		
Interest income on financial assets measured at amortised cost	8,289	6,809
Subsidies received	226	342
Others	1,331	739
	9,846	7,890
Other net losses		
Net realised and unrealised exchange (loss)/gain	(3,144)	2,110
Net gains/(losses) on forward foreign exchange contracts	972	(6,295)
Others	(161)	(28)
	(2,333)	(4,213)

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	
	2019	2018 (Note)
	\$'000	\$'000
(a) Finance costs		
Interest on loans from a related company	–	12
Interest on lease liabilities	5	–
	5	12
(b) Staff costs		
Net contributions to defined contribution retirement plans	7,472	7,635
Salaries, wages and other benefits	85,861	87,388
	93,333	95,023
(c) Other items		
Amortisation of land lease premium	1,862	1,828
Depreciation charge		
– Owned property, plant and equipment	25,607	34,344
– Right-of-use assets	139	–
Operating lease charges	3,773	4,116
Rentals receivable from investment properties less direct outgoings of \$474,000 (30 June 2018: \$520,000)	(10,218)	(10,221)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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	
		2019 \$'000	2018 \$'000
Current tax – Hong Kong			
Provision for the period		3,459	4,469
Current tax – the People’s Republic of China (the “PRC”)			
Provision for the period		497	622
Over-provision in respect of prior years		(5,962)	(4,906)
		(5,465)	(4,284)
Deferred tax			
Origination and reversal of temporary differences		3,263	(2,336)
	(i)	1,257	(2,151)

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2018: 16.5%) to the six months ended 30 June 2019.

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.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to ordinary equity shareholders of the Company of \$32,949,000 (30 June 2018: \$73,689,000) and 907,593,000 (30 June 2018: 907,593,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

There were no potential dilutive shares in existence during the six months ended 30 June 2019 and 2018.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out below:

	At 30 June 2019 \$'000	At 1 January 2019 \$'000
Included in "Other property, plant and equipment":		
Ownership interests in leasehold land held for own use, carried at depreciated cost	93,721	95,931
Other properties leased for own use, carried at depreciated cost	185	324
	93,906	96,255
Ownership interests in leasehold investment properties, carried at fair value	460,094	460,706
	554,000	556,961

(b) Acquisitions and transfers of owned assets

During the six months ended 30 June 2019, the Group had additions to property, plant and equipment with a cost of \$17,177,000 (30 June 2018: \$29,902,000). Also, the Group transferred construction in progress with a carrying amount of \$47,639,000 (30 June 2018: \$211,000) to other property, plant and equipment upon completion.

(c) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2019 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") (31 December 2018: JLL) and Guangdong Zhixin Land Real Estate Appraisal Co., Ltd. (31 December 2018: Vigers Appraisal and Consulting Limited), using same valuation techniques as were used by these valuers when carrying out the December 2018 valuations. As a result of the update, no valuation gains (30 June 2018: \$61,224,000) 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 2019 \$'000	At 31 December 2018 \$'000
Raw materials, spare parts and consumables	166,426	161,737
Work in progress	59,996	42,323
Finished goods	119,431	94,413
	345,853	298,473

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 \$1,613,000 during the period (30 June 2018: \$1,571,000).

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2019 \$'000	At 31 December 2018 \$'000
Trade debtors	276,814	217,386
Bills receivable	92,209	147,786
Other receivables, deposits and prepayments	146,069	92,593
Amounts due from a related company (note (i))	21,874	15,051
Amounts due from associates (note (ii))	15,081	14,938
Loans to an associate (note (iii))	15,969	10,201
Derivative financial instruments (note 14)	–	110
	568,016	498,065
Less: deposits and prepayments (non-current portion) (note (iv))	(2,219)	(3,612)
Trade and other receivables, deposits and prepayment (current portion)	565,797	494,453

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 2019 and 31 December 2018, the amounts due from associates represented interest and dividend receivables (net of withholding taxes) from associates which were unsecured, interest-free and recoverable on demand.
- (iii) As at 30 June 2019 and 31 December 2018, the loans to an associate were unsecured, interest-bearing at 5.0% per annum and repayable within one year.
- (iv) As at 30 June 2019 and 31 December 2018, 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 loss allowance, is as follows:

	At 30 June 2019 \$'000	At 31 December 2018 \$'000
Within 1 month	359,691	379,253
1 to 3 months	31,002	919
Over 3 months	204	51
	390,897	380,223

In respect of trade 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 to 3 months from the date of billing or the date of receipt of goods by the customers. 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.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2019 \$'000	At 31 December 2018 \$'000
Deposits with banks	375,329	344,682
Cash at bank and in hand	388,117	449,448
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	763,446	794,130

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE AND OTHER PAYABLES

	At 30 June 2019 \$'000	At 31 December 2018 \$'000
Trade creditors	56,883	26,086
Bills payable	130,652	136,169
Other payables and accrued charges	85,061	67,452
Contract liabilities	39,667	27,631
Amounts due to a related company (note (i))	62,400	69,854
Amount due to an associate (note (ii))	1,227	690
Amounts due to fellow subsidiaries (note (iii))	437	735
Derivative financial instruments (note 14)	1,639	–
	377,966	328,617

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 \$1,814,000 (31 December 2018: \$1,469,000), which is expected to be settled or recognised as income after more than one year.

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

	At 30 June 2019 \$'000	At 31 December 2018 \$'000
Due within 1 month or on demand	152,771	162,061
Due after 1 month but within 3 months	29,614	70,738
Due after 3 months but within 1 year	68,777	–
	251,162	232,799

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 DIVIDENDS

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

	Six months ended 30 June	
	2019 \$'000	2018 \$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2018: 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	
	2019 \$'000	2018 \$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 3.0 cents (30 June 2018: 3.0 cents) per ordinary share	27,228	27,228

14 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)

14 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 2019 \$'000	Fair value measurements as at 30 June 2019 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements:				
Financial liability:				
Forward foreign exchange contracts (note 12)	(1,639)	–	(1,639)	–

	Fair value at 31 December 2018 \$'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements:				
Financial asset:				
Forward foreign exchange contracts (note 10)	110	–	110	–

During the six months ended 30 June 2019 and 2018, 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 amortised cost were not materially different from their fair values as at 30 June 2019 and 31 December 2018.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 RETIREMENT BENEFITS 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 2019 was \$7,472,000 (30 June 2018: \$7,635,000).

16 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report were as follows:

	At 30 June 2019 \$'000	At 31 December 2018 \$'000
Contracted for	9,042	12,192
Authorised but not contracted for	210	14,236
	9,252	26,428

- (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties \$'000
Within 1 year	3,095
After 1 year but within 5 years	129
	3,224

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 COMMITMENTS (Continued)

- (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows: (Continued)

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

- (c) At 30 June 2019, the Group had committed to provide additional capital of \$6,489,000 (31 December 2018: \$6,489,000) to an associate of the Group.

17 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	
		2019 \$'000	2018 \$'000
Sales of goods to related companies	(i)	156,253	311,189
Commission paid/payable to a related company	(i), (ii)	581	4,606
Commission received/receivable from associates	(iii)	7,738	8,302
Interest income received/receivable from an associate	(iv)	273	170
Purchases of goods from associates	(v)	4,534	2,777
Purchases of goods from related companies including transport services fee paid/payable	(i)	132,565	220,119
Purchases of electricity from a fellow subsidiary	(vi)	13,572	14,973

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd. and its subsidiaries.
- (ii) This represents commission in respect of export distribution services provided by a related company.
- (iii) This represents commission earned for services rendered to associates in respect of distribution of fresh and live foodstuffs.
- (iv) This represents interest income from loans to an associate.
- (v) This represents purchases of goods from associates in respect of trading of fresh and live foodstuffs.
- (vi) This represents purchases of electricity from a fellow subsidiary in respect of production of tinplates and related products.
- (vii) 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 amounts due from associates and loans to an associate as disclosed in note 10, these balances are unsecured, interest-free and have no fixed terms of repayment.

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

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

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

- Sales and purchase of goods and ancillary materials;
- Rendering and receiving services;
- Lease of assets; 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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2019 \$'000	2018 \$'000
Short-term employee benefits	1,265	1,182
Post-employment benefits	249	236
	1,514	1,418

18 PLEDGED DEPOSITS

As at 30 June 2019, deposits at banks of \$23,616,000 (31 December 2018: \$30,655,000) were pledged as securities for bills payable.

19 SUBSEQUENT EVENTS

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 13(a).

20 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

Supplementary Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2019, 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 2019.

Supplementary Information (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

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

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%
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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 2019.

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
				(Note)

Liang Jianqin	Personal	56,222	Long position	0.003%
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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 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 2019.
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 2019, 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.

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 2019.

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 2019.



Supplementary Information (Continued)

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Change in Director's Information

Mr. Gerard Joseph McMahon resigned as an independent non-executive director, the chairman of the remuneration and corporate governance committees and a member of the audit and nomination committees of Summit Ascent Holdings Limited, a company listed on the main board of the Stock Exchange with effect from 14 June 2019.

Dr. Wong Yau Kar, David was appointed as an independent non-executive director, the chairperson of the remuneration committee and a member of the audit and nomination committees of CSSC (Hong Kong) Shipping Company Limited, a company listed on the main board of the Stock Exchange, on 6 May 2019.

Dr. Wong Yau Kar, David was appointed as a director of Hong Kong Academy of Finance on 9 May 2019.

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 2019. 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 2019, 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 2019 of HK1.0 cent per share (2018: HK1.0 cent per share). The interim dividend will be paid on Friday, 25 October 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 4 October 2019.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 3 October 2019 and Friday, 4 October 2019. 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, 2 October 2019.

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 30 August 2019



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