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

股份代號 Stock Code: 1203

2019
ANNUAL REPORT 年報

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Corporate Information

(As at 27 March 2020)

BOARD OF DIRECTORS

Executive Directors

CHEN Benguang *(Chairman)*
HE Jinzhou *(General Manager)*
CHAU Wang Kei *(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

CHEN Benguang *(Chairman)*
Gerard Joseph McMAHON
LI Kar Keung, Caspar
WONG Yau Kar, David

COMPANY SECRETARY

LO Wing Suet

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
The Hongkong and Shanghai Banking Corporation 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
No. 24–32 Queen's Road East
Hong Kong

Telephone	:	(852) 2828 3938
Facsimile	:	(852) 2583 9288
Website	:	http://www.gdguangnan.com

SHARE REGISTRAR

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

SHARE INFORMATION

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 (for attending Annual General Meeting)	9 June 2020
Annual General Meeting	15 June 2020
Last Share Registration Date (for payment of final dividend)	18 June 2020
Closure of Register of Members (for payment of final dividend)	19 June 2020 to 23 June 2020
Final Dividend	HK3.0 cents per share
Payment Date	7 August 2020

Financial Highlights

(Expressed in Hong Kong dollars)

	For the year ended 31 December		
	2019 $'000	2018 $'000	Change
Revenue	**2,369,724**	2,845,356	–16.7%
Profit from operations	**76,192**	74,825	1.8%
Profit attributable to shareholders	**54,213**	118,377	–54.2%
Basic earnings per share	**6.0 cents**	13.0 cents	–53.8%
Dividend per share			
Interim	**1.0 cent**	1.0 cent	
Proposed final	**3.0 cents**	3.0 cents	
	4.0 cents	4.0 cents	0.0%

	At 31 December		
	2019 $'000	2018 $'000	Change
Total assets	**3,046,807**	2,958,801	3.0%
Shareholders' equity	**2,438,584**	2,456,449	–0.7%
Net asset value per share[1]	**$2.69**	$2.71	–0.7%
Closing market price per share	**$0.78**	$0.88	
Net cash[2]	**(927,503)**	(824,785)	
Gearing ratio[3]	**–38.0%**	–33.6%	

Notes:

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

2. Borrowings – pledged deposits, cash and cash equivalents

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

Chairman's Statement

I hereby report to the shareholders that Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK$54,213,000 in 2019, representing a decrease of 54.2% compared with HK$118,377,000 in 2018. The basic earnings per share was HK 6.0 cents, representing a decrease of 53.8% from HK 13.0 cents in 2018.

DIVIDEND

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK 3.0 cents per share for the year 2019. The abovementioned final dividend for 2019, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 7 August 2020.

BUSINESS REVIEW

In 2019, the Group's consolidated revenue was HK$2,369,724,000, representing a decrease of HK$475,632,000 or 16.7% from HK$2,845,356,000 in 2018. Profit from operations was HK$76,192,000, representing an increase of HK$1,367,000 or 1.8% from HK$74,825,000 in 2018.

In respect of our tinplating business, the industry remained stable but weak and excess capacity has not been changed fundamentally. The demand from some downstream business in European and Middle East regions as well as Mainland China decreased as affected by economic environment. Sales volume of tinplate products in 2019 decreased by 50,823 tonnes, representing a decrease of 15.8% as compared to that in 2018. Selling price of tinplate products remained stable during the year. The revenue was HK$2,022,018,000, a decrease of HK$395,502,000 or 16.4% as compared to that in 2018. The segment profit was HK$36,111,000, an increase of HK$33,637,000 or 1359.6% as compared to that in 2018.

As to the fresh and live foodstuffs business, avian flu still had an impact on the distribution and sales of live poultry business in 2019, and therefore no live poultry were imported into Hong Kong by the Group throughout the year. 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 distribution and 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, and profits decreased due to the increase in costs. The revenue was HK$326,411,000, a decrease of HK$79,571,000 or 19.6% as compared to that in 2018. The segment profit was HK$49,213,000, a decrease of HK$26,171,000 or 34.7% as compared to that in 2018. The Group's overall market share in the live pigs supply into Hong Kong was about 46% in 2019.

In respect of the property leasing business, the rental income in 2019 decreased by HK$559,000 compared to that in 2018, and the segment profit decreased by HK$669,000 compared to that in 2018. The value of investment properties held by the Group remained stable for the year as compared to the valuation gains on investment properties of HK$65,247,000 recorded in 2018. Valuation losses on investment properties of HK$10,000 were recorded in 2019.

For the associates, Yellow Dragon Food Industry Co., Ltd. recorded a loss in 2019 as a result of the decreased sales volume of corn starch, its major product, and decreased government grants income. The Group's share of loss for the year was HK$35,265,000. In addition, the price of live pigs rebounded significantly in 2019, leading to the overall losses turned to profits recorded by the two associates which are engaged in pig farming and sales of pigs. The Group's share of profits from these two associates for the year was a total of HK$19,781,000.

PROSPECTS

With increasing risk of global economic downturn, slowdown in international trade and investment, intensifying adverse effect of protectionism and negative impact brought about by the outbreak of COVID-19 on global economic growth, instability and uncertainties have increased significantly, exerting certain pressure on the operations of the Group.

In respect of the tinplating business, the Group will focus on the implementation of innovation-driven development strategy. The Group will push forward strategic adjustment to its product structure in order to satisfy and provide guidance for customer demands as well as to take advantage of its scale of production capacity. The Group aims to build itself into the most reliable tinplating supply chain service provider.

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 seize the opportunities of development of the agricultural food industry so as to expand the food market in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will continuously extend the business chain horizontally and develop new profit growth points proactively.

Facing the current uncertain development of the COVID-19 epidemic, the Group will continue to closely monitor relevant influence, timely adjust business strategies, strengthen food safety supervision and safeguard the health of its employees and customers. Leveraging on its sound financial condition and abundant capital resources, the Group will seize every opportunity for development and strategic cooperation with an aim to improve its profitability, thereby maximizing value for its shareholders.

Chen Benguang
Chairman

Hong Kong, 27 March 2020

Management Discussion and Analysis

BUSINESS REVIEW

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 85.3% of the Group's revenue. In 2019, with the decreased demand from some downstream business, the Group produced 278,874 tonnes of tinplate products, representing a decrease of 13.0% as compared to that in 2018. Among which, Zhongyue Tinplate and Zhongyue Posco produced 181,955 tonnes and 96,919 tonnes respectively, a decrease of 10.9% and 16.5% respectively as compared to that in 2018. In addition, the Group sold 271,647 tonnes of tinplate products, a decrease of 15.8% as compared to that in 2018, of which, Zhongyue Tinplate and Zhongyue Posco sold 177,744 tonnes and 93,903 tonnes respectively, a decrease of 13.6% and 19.5% respectively as compared to that in 2018. Selling price of tinplate products remained stable during the year. The revenue was HK$2,022,018,000, a decrease of HK$395,502,000 or 16.4% as compared to that in 2018. The segment profit was HK$36,111,000, an increase of HK$33,637,000 or 1359.6% as compared to that in 2018.

Due to the intense market competition, the Group made endeavours 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.

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 2019, the revenue of the fresh and live foodstuffs business amounted to HK$326,411,000, representing a decrease of HK$79,571,000 or 19.6% as compared to that in 2018. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK$19,781,000 (2018: share of loss less profit of HK$3,615,000), the segment profit was HK$49,213,000, representing a decrease of HK$26,171,000 or 34.7% as compared to that in 2018. Avian flu still had an impact on the distribution and sales of live poultry business in 2019, and therefore no live poultry were imported into Hong Kong by the Group throughout the year. 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 distribution and 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, and profits decreased due to the increase in costs. In addition, the price of live pigs has rebounded significantly during the year, leading to the overall losses turned to profits recorded by the two associates which are engaged in pig farming and sales of pigs.

BUSINESS REVIEW (continued)

Fresh and Live Foodstuffs (continued)

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 46%. This provided a certain contribution to the earnings of the Group.

Property Leasing

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

In 2019, the property occupancy rate for the property leasing business of the Group was 90.8%, representing a decrease of 4.5 percentage points as compared to that in 2018. Revenue was HK$21,295,000, a decrease of 2.6% as compared to that in 2018. The segment profit amounted to HK$15,346,000, a decrease of 4.2% as compared to that in 2018. In addition, the value of investment properties held by the Group remained stable for the year as compared to the valuation gains on investment properties of HK$65,247,000 recorded in 2018. Valuation losses on investment properties of HK$10,000 were recorded in 2019.

Yellow Dragon

The Group holds a 40% interest in an associate, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon").

In 2019, Yellow Dragon recorded a sales volume of 340,097 tonnes of com starch, its major product, representing a decrease of 15.5% as compared to that in 2018. Product selling prices slightly increased during the year. Revenue amounted to HK$1,360,934,000, a decrease of 20.8% as compared to that in 2018. Due to the decrease in sales volume and significant decrease in government grants income, loss increased as compared to that in 2018. Yellow Dragon recorded a loss of HK$88,162,000 in 2019. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK$35,265,000 (2018: HK$13,821,000).

FINANCIAL POSITION

As at 31 December 2019, the Group's total assets and total liabilities amounted to HK$3,046,807,000 and HK$462,282,000, representing an increase of HK$88,006,000 and HK$108,337,000 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$1,330,898,000 at the end of 2019. The current ratio (current assets divided by current liabilities) decreased from 4.8 at the end of 2018 to 4.1 at the end of 2019.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 31 December 2019 was HK$903,613,000, representing an increase of 13.8% when compared with the position at the end of 2018, of which 49.7% was denominated in Renminbi, 23.9% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income increased from HK$13,736,000 in 2018 to HK$19,312,000 in 2019.

FINANCIAL POSITION (continued)

Liquidity and Financial Resources (continued)

As at 31 December 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 –38.0% (2018: –33.6%).

As at 31 December 2019, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK$504,453,000, of which HK$219,557,000 was utilised and HK$284,896,000 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 2019 amounted to HK$39,729,000 (2018: HK$43,500,000). Capital commitments outstanding at 31 December 2019 not provided for in the financial statements amounted to HK$34,296,000 (2018: HK$26,428,000), mainly for the renovation of production equipment of Zhongyue Tinplate. It is expected that the capital expenditure for 2020 will be approximately HK$130,000,000.

Acquisitions and Disposals of Investments

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

Pledge of Assets

As at 31 December 2019, deposits at bank of HK$23,890,000 (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 31 December 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.

FINANCIAL POSITION (continued)

Exchange Rate and Interest Rate Exposures (continued)

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 31 December 2019, forward foreign exchange contracts of USD21,500,000 (equivalent to HK$167,700,000) 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, loans to an associate and lease liabilities. Lendings and borrowings 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 31 December 2019, the Group had a total of 1,081 full-time employees, a decrease of 28 from 1,109 at the end of 2018. 198 employees were based in Hong Kong and 883 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.

Directors' Profile

(As at 27 March 2020)

EXECUTIVE DIRECTORS

Mr. Chen Benguang, aged 55, was appointed the Chairman and the Executive Director of the Company in December 2019. He was appointed the Director of Zhongshan Zhongyue Tinplate Industrial Co., Ltd ("Zhongyue Tinplate") and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd ("Zhongyue Posco") in March 2020. Zhongyue Tinplate is a wholly-owned subsidiary of the Company. Zhongyue Posco is a non-wholly owned subsidiary of the Company. Mr. Chen graduated from the China University of Geosciences and holds a Bachelor's degree in Administrative Management. Mr. Chen had been the director and general manager of certain subsidiaries of Guangdong Land Holdings Limited (formerly "Kingway Brewery Holdings Limited") ("GD Land"), the chairman of Kingway Brewery Group (Chengdu) Co., Ltd., the general manager of human resource department and administration department of GD Land between 1998 and 2016. Mr. Chen has been the chairman of 廣西粵海高速公路有限公司 (Guangxi Guangdong Gonglu Company Limited) ("Guangxi Guangdong Gonglu") (formerly 廣西新長江高速公路有限責任公司 (Guangxi Xinchangjiang Gonglu Company Limited)) from September 2016 to December 2019. He has also been the deputy general manager of Guangdong Investment Limited ("GDI") from January 2018 to December 2019. Guangxi Guangdong Gonglu is an indirect wholly-owned subsidiary of GDI. GD Land and GDI are the subsidiaries of GDH Limited ("GDH"), which is the immediate controlling shareholder of the Company. The shares of GDI and GD Land are listed on The Stock Exchange of Hong Kong Limited.

Mr. He Jinzhou, aged 47, was appointed the Executive Director and General Manager of the Company in October 2016. He was appointed the Director of Zhongyue Tinplate in March 2020. He is also director of Zhongyue Industry Material Limited ("Zhongyue Material") and Zhongyue Posco. Zhongyue Material is wholly-owned subsidiary of the Company. Mr. He graduated from the Northeastern University, the PRC with a Bachelor's degree in Metallurgy of Iron and Steel. Besides, he holds an International Master's degree in Business Administration of Sloan School of Management of the Massachusetts Institute of Technology and also a qualification of economist. Mr. He joined the Group in 2004. In 2012, he acted as the assistant general manager of Zhongyue Tinplate. Mr. He was the deputy general manager of the Operational Management Department of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") for the period from October 2012 to January 2016. He was also the Deputy General Manager of the Company for the period from March to October 2016. Guangdong Holdings is the ultimate controlling shareholder of the Company.

Mr. Chau Wang Kei, aged 45, was appointed the Executive Director and the Chief Financial Officer of the Company in September 2019. He was appointed the director of Gain First Investments Limited, Zhongyue Material and Zhongyue Tinplate in November 2019. Mr. Chau graduated from the Hong Kong Polytechnic University and holds a Bachelor's degree in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. Mr. Chau possesses extensive experience in financial management, accounting as well as auditing. He worked for a major certified public accountants firm. Mr. Chau had been working at Guangdong Holdings from May 2003 to August 2019 and his last position was senior manager of finance department.

NON-EXECUTIVE DIRECTOR

Ms. LIANG Jianqin, aged 55, was appointed a Non-Executive Director of the Company in September 2010. She was a Non-Executive Director of the Company from July 2002 to August 2006. Ms. Liang graduated from the department of accountancy of Jinan University, the PRC and holds a Master's degree in Economics. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a fellow member of Hong Kong Institute of Certified Public Accountants and a member of The Chinese Institute of Certified Public Accountants. She possesses extensive experience in financial management, external and internal audit as well as business management. Ms. Liang worked for Ernst and Young from 1995 to 1997 and GDI from 1997 to 2002 and was the general manager of the finance department of GDH from 2002 to 2006. She also served as the general manager of finance departments of Guangdong Holdings and GDH from September 2010 to March 2020. Ms. Liang was appointed an executive director and chief financial officer of GD Land, a fellow subsidiary of the Company, in April 2006 and served as a non-executive director from September 2010 to December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gerard Joseph McMAHON, aged 76, was appointed an Independent Non-Executive Director of the Company in June 1999. He was, until end of 1996, an executive director and a member of the Securities and Futures Commission of Hong Kong (the "SFC"), a member of the Hong Kong Takeovers and Mergers Panel and the SFC representative on the Hong Kong Standing Committee on Company Law Reform. Mr. McMahon is also a barrister in Hong Kong. He has been appointed non-executive director of a number of publicly listed companies in Hong Kong, Indonesia and Australia since 1997. Currently, Mr. McMahon is a non-executive director and the chairman of the board of directors of Indonesian Investment Fund Limited, a company listed on the Euronext Dublin (formerly known as the Irish Stock Exchange) which was delisted on 21 May 2018. He is also a non-executive director, member of the audit committee, remuneration committee and nomination committee of Tanami Gold NL, a company listed on the Australian Securities Exchange. Besides, Mr. McMahon was a director of Oriental Technologies Investment Limited (now known as Shine Metals Limited), a company listed on the Australian Securities Exchange. Mr. McMahon was 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 of Hong Kong Limited.

Mr. LI Kar Keung, Caspar, aged 66, was appointed an Independent Non-Executive Director of the Company in June 1999. He is the president of a management service company. He had worked in BNP Paribas Peregrine Capital Limited. He had also worked as an investment analyst and head of Citicorp's equity research in Hong Kong. Mr. Li had also held the positions of executive director and chief financial officer of certain companies listed in Hong Kong.

Dr. Wong Yau Kar, David, *GBS, JP*, aged 62. Dr. Wong holds a doctorate in Economics from the University of Chicago. He has extensive experience in manufacturing, direct investment and international trade. Dr. Wong actively participates in public services. He is a Hong Kong deputy of the 13th National People's Congress of the People's Republic of China (第十三屆全國人民代表大會). He is also the chairman of the Mandatory Provident Fund Schemes Authority. Dr. Wong is also an independent non-executive director of five other Hong Kong listed companies, namely, Sinopec Kantons Holdings Limited, Huayi Tencent Entertainment Company Limited, Shenzhen Investment Limited, Redco Properties Group Limited and CSSC (Hong Kong) Shipping Company Limited. Dr. Wong was an independent non-executive director of Yunfeng Financial Group Limited and Concord New Energy Group Limited.

SENIOR MANAGEMENT

The senior management of the Group comprises the Executive Directors above, namely, Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei.

Report of the Directors

The directors (the "Directors") of Guangnan (Holdings) Limited (the "Company") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The subsidiaries of the Company are primarily engaged in manufacturing and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading. The Group's principal activities are mainly carried out in Hong Kong and in Mainland China.

The analysis of the principal activities and geographical locations of the businesses of the Group during the year are set out in note 3 to the financial statements.

RESULTS AND DIVIDENDS

The Group's consolidated results for the year ended 31 December 2019 and the Group's financial position as at that date are set out in the financial statements on pages 38 to 120.

An interim dividend of HK1.0 cent (2018: HK1.0 cent) per share was paid on 25 October 2019. The Directors recommended the payment of a final dividend of HK3.0 cents (2018: HK3.0 cents) per share for the year ended 31 December 2019.

The proposed final dividend, if approved at the 2020 Annual General Meeting of the Company (the "AGM"), is expected to be paid on Friday, 7 August 2020 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 23 June 2020.

In order to qualify for attending and voting at the AGM, 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 Tuesday, 9 June 2020.

The register of members of the Company will be closed from Friday, 19 June 2020 to Tuesday, 23 June 2020 (both days inclusive), for the purpose of determining shareholders' entitlement to the proposed final dividend, during which period no transfers of shares will be registered. In order to qualify for the proposed final 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 the address as set out above not later than 4:30 p.m. on Thursday, 18 June 2020.

DIVIDEND POLICY

The board of Directors (the "Board") has approved and adopted a dividend policy to provide Shareholders with regular dividends (the "Dividend Policy").

The Company considers stable and sustainable returns to Shareholders to be our goal and endeavours to maintain its stable Dividend Policy. Under the Dividend Policy, the Company intends to provide Shareholders with semi-annual dividends, and to declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group's earnings performance, financial position, investment requirements and future prospects.

Whilst the Dividend Policy reflects the Board's current views on the financial and cash flow position of the Group, such Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. The payment of dividend is also subject to any restrictions under the Laws of Hong Kong and the Company's Articles of Association.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on pages 6 and 7 and Chairman's Statement on pages 4 and 5 respectively.

Details of the financial risk management of the Group are shown in note 22 to the financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 6 to 9 of this Annual Report.

The major key performance indicators of the Group's tinplating business are production and sales volume of tinplate products, operating revenue and segment results. The operating objectives of the Group's tinplating business are to enhance the production and sales volume and generate profit from sales revenue, after the deduction of necessary operating expenses, through the production of tinplate products and sales to the downstream customers.

The major key performance indicators of the Group's fresh and live foodstuffs business are market share in the live pigs supply to Hong Kong, operating revenue and segment results. The operating objectives of the Group's fresh and live foodstuffs business are to ensure the stability of live pigs supply to Hong Kong and generate an industrial average level of profit through achieving a relatively balanced market share in the whole industrial chain operation and generating profits from operating revenue, after the deduction of necessary operating expenses, by satisfying the Hong Kong citizens' consumption demand of fresh pork.

The major key performance indicators of the Group's property leasing business are property occupancy rate, operating revenue and segment results. The operating objectives of the Group's property leasing business are to ensure the occupancy of the properties and generate profit from rental income, after the deduction of necessary operating expenses, through satisfying the leasees' leasing demand by leasing out the self- owned properties.

KEY RISK FACTORS

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgement or consult their own investment advisors before making any investment in the securities of the Company.

Risk relating to trade receivables

The Group grants credit in respect of the sales to some customers based on their creditworthiness and industry practices and this leads to trade receivables. However, customers may underperform and experience cash flow problems due to changes in market conditions and their ability to pay may be affected, which may make it more difficult for the Group to collect trade receivables from these customers. The Group has established internal control system and trade receivables management system to constantly monitor customers' creditworthiness and strictly manage the collection of trade receivables. Credit insurance will be arranged when necessary to transfer risks and minimise the risks of bad debts.

Risk relating to production safety

Although the Group spares no effort to ensure high level of safety during the production process, the Group's principal business, namely the production and sale of tinplates, involves a certain degree of danger relating to the operation of machineries during production. The Group has established a production safety system and set up designated divisions to carry out on-site management and inspection by relevant personnel and management staffs. Education about production safety is in place and infrastructures are improved to ensure the safety of the Group's operation and production.

Risk relating to fluctuations in prices of raw materials

Prices of raw materials are crucial to the production costs of the Group's tinplating business and also play a significant role in the Group's operating results. Major raw materials used in tinplates production are steel coils, steel plates and tin, the demands for which are subject to the fluctuations in macro-economic conditions, which are in turn affected by the global economic environment. In 2019, the ratio of costs of raw materials to total production cost for tinplates is 82%. The Group's profit margin and operating results will be adversely affected if the increased cost caused by the rise in the prices of raw materials cannot be transferred to the customers. The Group keeps abreast of the market prices of raw materials and has established a price prediction model by analysing various factors that affect prices of raw materials in order to assist the formulation of procurement plans. In addition, the Group will strengthen its volume and price management on its supply and sales when there is an abnormal fluctuation on the market.

Risk relating to environmental pollution

For the production of tinplate products, the Group owns and operates industrial facilities and the operation of which involves the discharge of contaminants and the storage and disposal of waste and other hazardous materials. These activities may create negative impact and damage on the environment. In this regard, the Group may be liable for any past or future damage or harm to persons or property or environmental pollution resulting from its operations. It will ensure the proper disposal of dangerous and hazardous goods, improve the standard of its environmental protection facilities, boost the capability of monitoring processes, testing and dealing with emergencies, and comply with national regulations regarding the environment.

KEY RISK FACTORS (continued)

Risk relating to the distribution right of the fresh and live foodstuffs business

In July 2007, the Hong Kong government designated the Group as the second national agent for livestock supply to Hong Kong, and this marked an important development milestone of the Group's fresh and live foodstuffs business. The fresh and live foodstuffs business of the Group relies on government policies to a certain extent, and the policy regarding livestock supply to Hong Kong, though stable at present and in the short run, may be subject to adjustments in the future. As such, the Group endeavours to improve its capacity of the market-oriented operation of fresh and live foodstuffs business, identify more suppliers and increase procurement volume in order to reduce the reliance on major suppliers and to avoid any negative impact of policy changes on the ongoing operations of its fresh and live foodstuffs business.

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and other property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

Particulars of the major investment properties of the Group are set out on page 123.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates as at 31 December 2019 are set out in notes 31 and 32 to the financial statements respectively.

SHARES ISSUED

No share was issued by the Company during the year.

RESERVES

Profit attributable to shareholders of the Company of HK$54,213,000 (2018: HK$118,377,000) has been transferred to reserves. Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 21(a) to the financial statements respectively.

DISTRIBUTABILITY OF RESERVES

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$502,632,000 (2018: HK$472,729,000).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 25 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the largest customer for the year ended 31 December 2019 represented 11.5% of the Group's total sales, and the combined total of sales to the five largest customers accounted for 39.1% of the Group's total sales for the year.

Purchases from the largest supplier for the year ended 31 December 2019 represented 38.9% of the Group's total purchases (not including purchases of capital nature), and the combined total of purchases from the five largest suppliers accounted for 61.6% of the Group's total purchases for the year.

The largest customer of the Group is POSCO Co., Ltd. ("POSCO") and its subsidiaries. POSCO is a minority shareholder of Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd., a 66% owned subsidiary of the Group. Further details are set out in the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" on pages 121 and 122.

At no time during the year have the Directors, their associates or any shareholders of the Company, who to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interests in the major customers and suppliers.

LAWS, RULES AND REGULATIONS AND ENVIRONMENTAL ISSUES

The Company respects the laws, rules and regulations of the area in which the Group operates and is committed to the sustainable development of the environment and our society. The Group has endeavored to comply with laws and regulations regarding environmental protection. Pursuant to the Article 60 of the Environmental Protection Law of the People's Republic of China, "*Where an enterprise, public institution or other producer or business operator discharges pollutants in excess of emission standards, or in excess of the total emission quota of major pollutants, the competent environmental protection administrations of the people's government at or above the county level may order it to restrict production or to suspend production for rectification; under grave circumstances, it shall be reported and be ordered by competent people's government with approval authority to suspend its operations.*", it constitutes a potential risk to the tinplating business of the Group.

The Group has adopted effective environmental technologies and relevant measures to ensure its projects meet the required standards and ethics in respect of environmental protection.

For further information about the environmental policies and performance of the Company for this financial year, please refer to the environmental, social and governance report to be issued.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that our employees, customers and suppliers and business associates are key stakeholders to the Company's success. We strive to achieve corporate sustainability through engaging our employees, providing quality services to our customers, collaborating with business partners (including suppliers and contractors) to deliver quality sustainable products and services and supporting our community.

DONATIONS

During the year, donations made by the Group amounted to HK$34,000 (2018: HK$36,000).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past 5 years ended 31 December 2019 is set out on pages 124 and 125.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors
CHEN Benguang (appointed on 17 December 2019)
TAN Yunbiao (resigned on 17 December 2019)
HE Jinzhou
CHAU Wang Kei (appointed on 1 September 2019)
LAU Kin Man (resigned on 1 September 2019)

Non-Executive Director
LIANG Jianqin

Independent Non-Executive Directors
Gerard Joseph McMAHON
LI Kar Keung, Caspar
WONG Yau Kar, David

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 92 of the Company's Articles of Association, Mr. Chen Benguang and Mr. Chau Wang Kei will retire at the AGM and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Ms. Liang Jianqin will retire by rotation at the AGM and, being eligible, offer herself for re-election.

RESIGNATION OF DIRECTORS

Mr. Lau Kin Man resigned as an Executive Director and the Chief Financial Officer of the Company with effect from 1 September 2019 due to retirement. Mr. Lau has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Mr. Tan Yunbiao resigned as an Executive Director, the Chairman of the Board and the Chairman of the Nomination Committee of the Company with effect from 17 December 2019 due to the transfer to the other position in Guangdong Holdings, the ultimate controlling shareholder of the Company. Mr. Tan has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 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 (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)
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 31 December 2019.

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%

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 31 December 2019.

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

INTERESTS IN ORDINARY SHARES

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

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of GD Land in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 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 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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance (Cap. 622) for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2019. In addition, the Company has taken out and kept in force appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, Ms. Liang Jianqin, Director, is also a general manager of the finance department of Guangdong Holdings and GDH. GDH is a wholly-owned subsidiary of Guangdong Holdings. Guangdong Holdings and its subsidiaries other than the Group (the "Guangdong Holdings Group") have a wide range of business interests which include leasing of properties. Both the Guangdong Holdings Group and the Group have been engaged in the businesses of leasing of properties. However, the Directors are of the view that no direct or indirect competition in any material respect exists between the businesses of the Guangdong Holdings Group and those of the Group.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries that is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Details of the transactions disclosed in accordance with the Listing Rules are set out on pages 121 and 122.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as is known to any Directors or chief executives of the Company, the following persons (other than Directors or 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
Guangdong Holdings (Note)	537,198,868	Long position	59.19%
GDH	537,198,868	Long position	59.19%

Note: 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 31 December 2019, the Company has not been notified by any persons (other than Directors or 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.

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

Save as disclosed in the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" section on pages 121 and 122 of this report, neither the Company nor its subsidiaries had any contract of significance with Guangdong Holdings, the ultimate controlling shareholder of the Company, and its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the AGM. There was no change in auditors of the Company in any of the preceding three years.

By order of the Board

Chen Benguang
Chairman

Hong Kong, 27 March 2020

Corporate Governance Report

BUSINESS MODEL

The principal businesses of the Group include manufacturing and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading. The Group is committed to consolidating the operational development of its existing businesses in order to generate continuous and steady investment returns for shareholders. The Group draws on various "capitals", namely choice of technology, expertise in operation, financial capital and environmentally-responsible solutions as inputs to provide good quality products.

CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with the objectives in mind that the Group has applied the principles on the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code of the Listing Rules throughout the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 during the year ended 31 December 2019.

CHANGES IN DIRECTORS' INFORMATION

Commencing on 1 January 2020, the remuneration which includes basic salaries, allowances and other benefits for Mr. Chau Wang Kei amounts to HK$80,000 per month.

Commencing on 6 February 2020, the remuneration which includes basic salaries, allowances and other benefits for Mr. Chen Benguang amounts to HK$105,950 per month.

Commencing on 2 March 2020, Ms. Liang Jiangin ceased to be the general manager of finance departments of Guangdong Holdings and GDH.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BOARD OF DIRECTORS

As at 31 December 2019, the Board comprised three Executive Directors, being Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei, one Non-Executive Director, being Ms. Liang Jianqin, and three Independent Non-Executive Directors, being Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Messrs. Lau Kin Man and Tan Yunbiao resigned as Executive Directors on 1 September 2019 and 17 December 2019 respectively. Messrs. Chen Benguang and Chau Wang Kei were appointed as Executive Directors on 17 December 2019 and 1 September 2019 respectively.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. During the year ended 31 December 2019, the Board held five meetings.

In addition to regular board meetings, in accordance with the code provision A.2.7 of the Listing Rules, the Chairman should at least annually hold meetings with the Independent Non-Executive Directors without other Directors present (the "Chairman and Independent Non-Executive Directors Meeting"). During the year ended 31 December 2019, one Chairman and Independent Non-Executive Directors Meeting was held.

Details of Directors' attendance at the Company's general meeting and the meetings of the Board, the Compensation Committee, the Nomination Committee, the Audit Committee and the Chairman and Independent Non-Executive Directors Meeting held during the year ended 31 December 2019 are set out below:

	General Meeting	Board Meeting	Compensation Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Chairman and Independent Non-Executive Directors Meeting
Executive Directors						
Tan Yunbiao	1/1	5/5		3/3		1/1
He Jinzhou	1/1	5/5				
Lau Kin Man	1/1	3/3				
Chen Benguang	0/0	0/0		0/0		0/0
Chau Wang Kei	0/0	2/2				
Non-Executive Director						
Liang Jianqin	1/1	5/5				
Independent Non-Executive Directors						
Gerard Joseph McMahon	1/1	5/5	4/4	3/3	4/4	1/1
Li Kar Keung, Caspar	1/1	5/5	4/4	3/3	4/4	1/1
Wong Yau Kar, David	1/1	5/5	4/4	3/3	4/4	1/1

BOARD OF DIRECTORS (continued)

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules and considers all of the Independent Non-Executive Directors as independent. In addition, the Company has received confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David in accordance with Rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

The Board members do not have any financial, business, family or other material/relevant relationships with each other. The balanced board composition also ensures that strong independence exists across the Board. The Directors' profile is set out on pages 10 and 11 to this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

CHAIRMAN AND GENERAL MANAGER

From 1 January 2019 to 16 December 2019, the Chairman is Mr. Tan Yunbiao and the General Manager is Mr. He Jinzhou. From 17 December 2019, the Chairman is Mr. Chen Benguang and the General Manager is Mr He Jinzhou. Their roles are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Tan Yunbiao and Mr. Chen Benguang as the Chairman have executive responsibilities, provide leadership to the Board and ensure the proper and effective functioning of the Board in the discharge of their responsibilities. Mr. He Jinzhou as the General Manager is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of operations in fresh and live foodstuffs business and tinplating business respectively.

NON-EXECUTIVE DIRECTORS

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after his appointment and shall then be eligible for re-election. Moreover, each Non-Executive Director of the Company will hold office for a specific term expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organised by government authorities, professional bodies and industrial and commercial organisations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skill.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

According to the records kept by the Company, the current Directors received trainings with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the year ended 31 December 2019.

Participation of Directors as at 31 December 2019 in continuous professional development during the year are as follows:

	Attending training courses and seminars or reading regulatory updates or information relevant to the Company or its business
Chen Benguang	✓
He Jinzhou	✓
Chau Wang Kei	✓
Liang Jianqin	✓
Gerard Joseph McMahon	✓
Li Kar Keung, Caspar	✓
Wong Yau Kar, David	✓

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Policy") on 22 August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diversed Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

BOARD DIVERSITY POLICY (continued)

As at the date of this report, the Board comprises 7 Directors. Three of them are Independent Non- Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, professional experience, skills and knowledge.

The Nomination Committee has reviewed the Policy and considered that the Board's composition has complied with the requirement of the Policy.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under CG Code include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance issues:

– compiled the Environmental, Social and Governance Report for the year 2019;

– reviewed the effectiveness of the internal control and risk management system of the Company through the Internal Audit Department and the Audit Committee; and

– revised the "Terms of Reference of Audit Committee".

EMOLUMENTS OF DIRECTORS

The Company established the Compensation Committee in 1999. Details of the authority and duties of the Compensation Committee are available on the Company's website.

The Compensation Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Mr. Li Kar Keung, Caspar is the chairman of the Compensation Committee.

The Compensation Committee shall meet at least twice a year. During the year ended 31 December 2019, the Compensation Committee held four meetings to review the annual remuneration package and performance bonuses for the Executive Directors and the management of the Company and approve the remuneration package of the newly appointed Directors of the Company.

Details of the Directors' emoluments are set out in note 7 to the financial statements.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee in 2005. The Nomination Committee is responsible for identifying suitable and qualified individuals to become Board members and make recommendation on appointment and re-appointment of Directors. The Board is responsible for considering and approving the appointment of Directors with a view to appointing to the Board suitable individuals with the relevant expertise and experience to enhance the constitution of a strong and diverse Board and to contribute to the functioning of the Board through their continuous participation.

Details of the authority and duties of the Nomination Committee are available on the Company's website.

The Nomination Committee comprises the Chairman of the Board and the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. With effect from 17 December 2019, Mr. Tan Yunbiao ceased to be the chairman and member of the Nomination Committee and Mr. Chen Benguang has been appointed as the chairman of the Nomination Committee.

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of Directors, succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters.

The Board adopted a nomination policy (the "Nomination Policy") on 29 October 2018 to formally set out the criteria and process in the nomination and appointment of Directors. According to the Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meeting, as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified Director candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's character and integrity, qualifications, skills, knowledge, experiences relevant to the Company's business and corporate strategy, his/her commitment to enhancing shareholder value and devoting sufficient time to effectively carry out their duties, fulfilment of the independence requirements as set out in the Listing Rules (for Independent Non-Executive Directors) and diversity on the Board. After reaching its decision, the Nomination Committee nominates relevant Director candidates to the Board for consideration. The Board then makes recommendation to shareholders in respect of the proposed appointment/re-election of Directors at general meeting.

NOMINATION OF DIRECTORS (continued)

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the year ended 31 December 2019, the Nomination Committee held three meetings to evaluate the structure, size and composition of the Board, to review the implementation of the Company's Board Diversity Policy, to assess the independence of the Independent Non-Executive Directors, to make recommendations to the Board on the re-election of Directors and to propose adoption of the Nomination Policy and revision to the terms of reference of the Nomination Committee in view of the amendment to the CG Code.

AUDITORS' REMUNERATION

The remuneration of the Company's auditors, Messrs. KPMG, for services rendered in respect of the year ended 31 December 2019 is set out as follows:

Services rendered	Fee HK$'000
Audit of annual financial statements	2,729
Review of interim financial report	970
Review of continuing connected transactions	171
	3,870

AUDIT COMMITTEE

The Audit Committee of the Company was established in 1999. Details of the authority and duties of the Audit Committee are available on the Company's website.

The Audit Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Mr. Gerard Joseph McMahon is the chairman of the Audit Committee.

The Audit Committee shall meet at least four times a year. During the year ended 31 December 2019, the Audit Committee held four meetings, inter alia, to review the 2018 annual results, the 2019 interim results and the quarterly results of the Group. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Group's financial results. It also focuses on the Group's system of internal control and risk management including the adequacy of resources, qualifications and experience of staff of the Company's accounting, financial reporting and internal audit function, and their training programmes and budget. During the year ended 31 December 2019, the Audit Committee met the external auditor once without the presence of the management to discuss any areas of concerns.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged that they are responsible for overseeing the preparation of financial statements, which give a true and fair view of the consolidated financial position of the Group and of its consolidated results and consolidated cash flows in the relevant year. The responsibilities of the external auditor to the shareholders are set out in the Independent Auditor's Report on pages 35 to 37. In preparing the consolidated financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies, applied them consistently in accordance with the accounting principles generally accepted in Hong Kong which are pertinent to its operations and relevant to the financial statements and, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Company aims at presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects in all communications issued to shareholders, including annual and interim reports, announcements and circulars. The annual and interim results of the Company are announced in a timely manner within three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules. To further enhance the Company's level of corporate governance and transparency, the Company announced its unaudited quarterly financial information during the financial year ended 31 December 2019.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is committed to establish and maintain a sound and effective internal control and risk management system of the Group to protect the shareholders' investment and to safeguard the Group's assets and to achieve corporate objectives. Key components of internal control and risk management of the Group are set out below:

1. A defined organisational structure, with specified limits of authority and lines of responsibility, has been established.

2. Established operating policies and procedures.

3. Delegation of authority – The Directors and/or management are delegated with respective level of authority relating to certain businesses or operational objectives. Committees (e.g. Audit, Compensation and Nomination), of which their decision-making authority has been delegated by the Board, are established where necessary to review, approve and monitor particular aspect of operation of the Group.

4. Budgetary system – (i) Business plans and forecasts are prepared annually and subject to monthly review and approval by the management. With an annual budget and monthly rolling forecasts, the management are able to identify and evaluate the likelihood of the financial impact of significant business risks in the coming year and achieve the business objectives; (ii) A budgetary system in relation to monthly recurrent and major capital expenditure is in place. Any material variances against budgets are investigated, explained and approved by the respective financial controller.

5. Internal Audit Department – In order to further enhance the internal control and risk management of the Group, an internal audit department was established. The internal auditor has unrestricted access to review all aspects of the Group's activities and internal control and risk management (including reviewing the connected transactions of the Group). Any serious internal control and risk management deficiencies or fraud identified would be reported immediately to the Directors or directly to the Audit Committee. The Internal Audit Department reviews once a year the effectiveness of the intend control and risk management system for the period covered the year ended 31 December 2019.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

6. Review by Audit Committee and the Board – The Directors review major business and operational activities and financial performance of the Group.

7. Comprehensive accounting system – A reliable and comprehensive accounting system is in place for the recording of financial information of the Group.

8. Monthly review by the management – Key operating and financial performance of each business segment are reviewed by the management on monthly basis. Regular meetings are held to review the business and financial performance against forecasts and business strategies to be taken.

With the assistance of Internal Audit Department, the Executive Director and Chief Financial Officer reviews, inter alia, the profile of the significant risks and how these risks have been identified, evaluated and managed, the changes since the last annual assessment in the nature and extent of significant risks, the Company's ability to respond to changes in its business and the external environment, as well as the scope and quality of management's ongoing monitoring of the risk management and internal control system. In addition, they review the work of internal audit function, the extent and frequency of communication of monitoring results to the Audit Committee which enables them to assess control of the Company and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Company's processes for financial reporting and Listing Rules compliance. They also review the results of the self-assessment on internal control.

There are also procedures including prior approval on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

During the year ended 31 December 2019, a review on the effectiveness and efficiency of material financial, operational and compliance controls and risk management procedures of the Group was made by the Board and the Audit Committee. The Board is generally satisfied with the effectiveness and adequacy of the existing internal control and risk management system of the Group. The Board acknowledges the importance of good corporate governance and will continue its efforts on enhancing the Group's internal control and risk management to support further growth of the Group.

Internal control and risk management system of the Group is designed to provide reasonable, rather than absolute, assurance against unauthorised use or disposition. It could only manage, rather than eliminate, all risks of material misstatement, error, loss or fraud.

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Lo Wing Suet who is not an employee of the Company. She reports to the Board and is responsible for advising the Board on governance matters. The Chief Financial Officer of the Company, is the primary contact person of the Company with Ms. Lo. For the year under review, Ms. Lo has confirmed that she has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Shareholders convening an extraordinary general meeting

Pursuant to the Hong Kong Companies Ordinance (Cap. 622), shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meeting may request the directors to call a general meeting of the Company. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. Directors of the Company must call a meeting within 21 days after the date on which they become subject to the requirement. The meeting being called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors fail to call the meeting, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting. The meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting.

Shareholders' enquiries and proposals

Shareholders should direct their enquiries about their shareholdings to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or call its hotline at (852) 2862 8555.

About matters other than shares and dividends, the Chief Financial Officer or the Company Secretary of the Company are designated to respond to enquiries and proposals from the shareholders as well as the public. Enquiries and proposals can be made by mail or by phone. The contact details of the Company are set out in the "Contact Us" section of the Company's website at www.gdguangnan.com. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the shareholders and the public. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's constitutional documents. An up-to-date consolidated version of the Company's Articles of Association is available on the Company's website.

By order of the Board

Chen Benguang
Chairman

Hong Kong, 27 March 2020

Independent Auditor's Report

KPMG

Independent auditor's report to the members of Guangnan (Holdings) Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Guangnan (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 38 to 120, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Valuation of inventories	
Refer to note 15 to the consolidated financial statements and the accounting policies in note 1(m) to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Inventories, which totalled HK$330.7 million as at 31 December 2019, are stated at the lower of cost and net realisable value. A write-down of inventories in respect of the Group's tinplating segment amounting to HK$5.5 million was recognised in the consolidated income statement for the year ended 31 December 2019. There is a risk that the net realisable value of inventories could be less than their cost at the reporting date due to the price volatility of tinplate products, particularly given the excess supply and intense competition in the industry. Management determines the net realisable value of inventories based its assessment of the current market situation and historical experience for similar inventories. This involves significant management judgement and estimation in estimating future selling prices and the costs of completion of work-in-progress, both of which can be inherently uncertain. We identified the valuation of inventories as a key audit matter because determining an appropriate write-down of and provision for inventories involves significant management judgement and estimation, particularly in assessing the future selling prices for tinplate products, costs of completion of work-in-progress and costs necessary to make the sale of these products, which can be inherently subjective and increase the risk of error or potential management bias.	Our audit procedures to assess the valuation of inventories included the following: • obtaining an understanding of management's determination of net realisable value and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales, the basis of calculation and justification for the amount of the write-downs, and future purchase commitments; • assessing management's estimation of the costs of converting raw materials and work-in-progress into finished goods and the related selling expenses by comparing them with actual costs incurred in the current year; • comparing management's estimation of future selling prices for tinplate products with committed sales contracts and selling prices achieved subsequent to the end of the reporting period; and • re-performing the calculations made by management in arriving at their year end assessment of net realisable value and write-downs of and provisions for inventories.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Tsz Kei.

KPMG
Certified Public Accountants

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

27 March 2020

Consolidated Income Statement

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Revenue	3	2,369,724	2,845,356
Cost of sales		(2,144,241)	(2,615,769)
Gross profit		225,483	229,587
Other revenue	4	22,941	18,086
Other net losses	4	(2,594)	(2,724)
Selling and distribution costs		(60,576)	(71,936)
Administrative expenses		(108,818)	(98,035)
Other operating expenses		(244)	(153)
Profit from operations		76,192	74,825
Valuation (losses)/gains on investment properties		(10)	65,247
Finance costs	5(a)	(116)	(12)
Share of profits less losses of associates		(15,484)	(17,436)
Profit before taxation	5	60,582	122,624
Income tax	6(a)	(6,415)	(7,102)
Profit for the year		54,167	115,522
Attributable to:			
Equity shareholders of the Company		54,213	118,377
Non-controlling interests		(46)	(2,855)
Profit for the year		54,167	115,522
Earnings per share	10		
Basic		6.0 cents	13.0 cents
Diluted		6.0 cents	13.0 cents

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

The notes on pages 46 to 120 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9(a).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019 $'000	2018 (Note) $'000
Profit for the year	54,167	115,522
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(33,255)	(71,863)
– associates outside Hong Kong	(5,831)	(13,800)
– tax benefit related to a subsidiary outside Hong Kong	892	1,908
Net-of-tax amount	(38,194)	(83,755)
Total comprehensive income for the year	15,973	31,767
Attributable to:		
Equity shareholders of the Company	18,439	39,904
Non-controlling interests	(2,466)	(8,137)
Total comprehensive income for the year	15,973	31,767

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

The notes on pages 46 to 120 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current assets			
Investment properties	11	457,300	460,706
Other property, plant and equipment	11	592,018	622,701
		1,049,318	1,083,407
Interest in associates	13	231,906	253,221
Deposits and prepayments	16	2,153	3,612
Deferred tax assets	14(b)	175	–
		1,283,552	1,340,240
Current assets			
Inventories	15	330,719	298,473
Trade and other receivables, deposits and prepayments	16	504,668	494,453
Current tax recoverable	14(a)	365	850
Pledged deposits	17	23,890	30,655
Cash and cash equivalents	18	903,613	794,130
		1,763,255	1,618,561
Current liabilities			
Trade and other payables	19	429,090	328,617
Lease liabilities	20	2,081	–
Current tax payable	14(a)	1,186	5,621
		432,357	334,238
Net current assets		1,330,898	1,284,323
Total assets less current liabilities		2,614,450	2,624,563

Consolidated Statement of Financial Position (continued)

at 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current liabilities			
Lease liabilities	20	1,222	–
Deferred tax liabilities	14(b)	28,703	19,707
		29,925	19,707
NET ASSETS		2,584,525	2,604,856
CAPITAL AND RESERVES			
Share capital	21(b)	459,651	459,651
Reserves		1,978,933	1,996,798
Total equity attributable to equity shareholders of the Company		2,438,584	2,456,449
Non-controlling interests		145,941	148,407
TOTAL EQUITY		2,584,525	2,604,856

Approved and authorised for issue by the board of directors on 27 March 2020.

Chen Benguang
Director

Chau Wang Kei
Director

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

The notes on pages 46 to 120 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Exchange reserve $'000	Revaluation reserve $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000 (Note)	Total $'000	Non–controlling interests $'000	Total equity $'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 2018:										
Profit for the year		–	–	–	–	–	118,377	118,377	(2,855)	115,522
Other comprehensive income		–	(78,473)	–	–	–	–	(78,473)	(5,282)	(83,755)
Total comprehensive income		–	(78,473)	–	–	–	118,377	39,904	(8,137)	31,767
Dividends declared to minority shareholder		–	–	–	–	–	–	–	(980)	(980)
Dividends approved in respect of the previous year	9(b)	–	–	–	–	–	(27,228)	(27,228)	–	(27,228)
Dividends declared in respect of the current year	9(a)	–	–	–	–	–	(9,076)	(9,076)	–	(9,076)
Balance at 31 December 2018		459,651	166,945	2,121	107,440	69,501	1,650,791	2,456,449	148,407	2,604,856

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital $'000	Exchange reserve $'000	Revaluation reserve $'000	Special capital reserve $'000	Other reserves $'000	Retained profits $'000 (Note)	Total $'000	Non-controlling interests $'000	Total equity $'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 2019:										
Profit for the year		–	–	–	–	–	54,213	54,213	(46)	54,167
Other comprehensive income		–	(35,774)	–	–	–	–	(35,774)	(2,420)	(38,194)
Total comprehensive income		–	(35,774)	–	–	–	54,213	18,439	(2,466)	15,973
Dividends approved in respect of the previous year	9(b)	–	–	–	–	–	(27,228)	(27,228)	–	(27,228)
Dividends declared in respect of the current year	9(a)	–	–	–	–	–	(9,076)	(9,076)	–	(9,076)
Balance at 31 December 2019		459,651	131,171	2,121	107,440	69,501	1,668,700	2,438,584	145,941	2,584,525

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

The notes on pages 46 to 120 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2019 $'000	2018 (Note) $'000	2018 (Note) $'000
Operating activities					
Profit before taxation		60,582		122,624	
Adjustments for:					
Finance costs	5(a)	116		12	
Interest income	4	(19,312)		(13,736)	
Valuation losses/(gains) on investment properties	11(a)	10		(65,247)	
Net loss/(gain) on disposal of property, plant and equipment	4	670		(318)	
Depreciation	11(a)	57,166		73,939	
Share of profits less losses of associates		15,484		17,436	
Foreign exchange loss/(gain)		1,565		(9,886)	
Net (gains)/losses on forward foreign exchange contracts	4	(2,602)		7,062	
Operating profit before changes in working capital		113,679		131,886	
Increase in inventories		(39,486)		(38,007)	
(Increase)/decrease in trade and other receivables, deposits and prepayments		(22,497)		13,335	
Decrease/(increase) in amounts due from related companies		11,500		(5,731)	
Increase/(decrease) in trade and other payables		112,580		(31,696)	
Increase in amounts due to fellow subsidiaries		568		203	
(Decrease)/increase in amounts due to a related company		(7,369)		54,271	
Increase/(decrease) in amount due to an associate		135		(1,994)	
Cash generated from operations		169,110		122,267	
Interest received		19,343		12,776	
Interest paid		(47)		(54)	
Hong Kong Profits Tax paid, net		(2,439)		(9,597)	
PRC income tax refunded/(paid), net		2,294		(1,905)	
Net cash generated from operating activities			188,261		123,487

Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2019 $'000	2018 (Note) $'000	2018 (Note) $'000
Investing activities					
Payment for the purchase of property, plant and equipment	18(d)	(32,597)		(47,035)	
Proceeds from disposal of property, plant and equipment		332		673	
Dividend received from an associate		–		6,240	
Loans advanced to an associate		(5,768)		(10,201)	
Decrease/(increase) in pledged deposits		6,093		(9,553)	
Net cash used in investing activities			(31,940)		(59,876)
Financing activities					
Capital element of lease rentals paid	18(b)	(1,101)		–	
Interest element of lease rentals paid	18(b)	(69)		–	
Dividends paid to equity shareholders of the Company		(36,304)		(36,304)	
Dividends paid to minority shareholder		–		(980)	
Repayment of loans from a related company	18(b)	–		(39,000)	
Net cash used in financing activities			(37,474)		(76,284)
Net increase/(decrease) in cash and cash equivalents			118,847		(12,673)
Cash and cash equivalents at 1 January	18(a)		794,130		821,783
Effect of foreign exchange rate changes			(9,364)		(14,980)
Cash and cash equivalents at 31 December	18(a)		903,613		794,130

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of $8,528,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 18(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

The notes on pages 46 to 120 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– investment properties (see note 1(i));

– investments in equity securities (see note 1(g)); and

– derivative financial instruments (see note 1(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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*, 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. 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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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 expedients 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases* (continued)

The following table reconciles the operating lease commitments as disclosed in note 23(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 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.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 18 (b)). These elements are classified as financing cash outflows rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement (see note 18(c)).

The impacts of the adoption of HKFRS 16 on the financial result and segment results of the Group are insignificant.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q) or 1(r) depending on the nature of the liability.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment which is measured by comparing the recoverable amount of the investment with its carrying amount (see notes 1(f) and 1(l)(ii)). Any acquisition-date excess over cost, the Group's share of the post acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(l)(i))).

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 22(e). These investments are subsequently accounted for as follows, depending on their classification.

Investments in equity securities

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(v)(ii).

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property as described in note 1(j) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a movement in the revaluation reserve. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(k).

(j) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)):

– interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 1(k));

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Other property, plant and equipment (continued)

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs on related borrowed funds, to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalisation of these costs ceases and the construction in progress is transferred to relevant categories of other property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method, at the following rates per annum:

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements	20% to 50% per annum
– Plant and machinery, furniture, fixtures and equipment	10% to 20% per annum
– Motor vehicles	20% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(j) and 1(l)(ii)), except for the right-of-use assets that meet the definition of investment property which are carried at fair value in accordance with note 1(i).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 1(i)); and

– land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

The cost of acquiring land held under an operating lease was amortised on a straight-line basis over the period of the lease term except the property was classified as an investment property (see note 1(i)).

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(v)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including pledged deposits, cash and cash equivalents, trade and other receivables, deposits and prepayments, including loans to an associate which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables, deposits and prepayments: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(v)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets; and

– investments in subsidiaries and associates in the Company’s statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

If any such indication exists, the asset's recoverable amount is estimated.

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– **Reversals of impairment losses**

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and 1(l)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(v)).

(o) Trade and other receivables, deposits and prepayments

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(l)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Borrowings

Borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Further information on the Group's contributions to retirement benefit schemes is set out in note 25.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Commission income

Commission income is recognised when the relevant services are rendered.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in note 1(y)(i).

(7) A person identified in note 1(y)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operation results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(i) Valuation of investment properties

As described in note 11, the investment properties are revalued by independent professional valuers on a market value basis at the end of the reporting period. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the results of the Group in future years.

(ii) Income taxes

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement may be required in determining the provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profits that will be available against which the tax losses can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(iii) Impairment of assets

In accordance with accounting policy as set out in note 1(l)(ii), the Group reviews the carrying amounts of other non-current assets at the end of each reporting period to determine whether there is objective evidence of impairment. When an indication of impairment is identified, management prepares discounted cash flow forecasts to assess the differences between the carrying amount and value in use or fair value less costs of disposal (if higher) and provides for any impairment losses. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease the provision for impairment losses and affect the net asset value of the Group.

In measuring ECLs for trade receivables, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. Any changes in the assumptions adopted in measuring ECLs would increase or decrease the provision for impairment losses and affect the net asset value of the Group.

An increase or decrease in the above impairment loss would affect the results of the Group in future years.

(iv) Write-down of inventories

The Group reviews the carrying amounts of inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with accounting policy as set out in note 1(m). Management estimates the net realisable value based on the current market situation and historical experience of similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written-down or the related reversals of write downs made in prior years and affect the Group's net asset value.

(v) Depreciation

Property, plant and equipment, other than construction in progress, is depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimations.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and sales of tinplate products, property leasing and the distribution and trading of fresh and live foodstuffs. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue

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

	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	2,022,018	2,417,520
– Fresh and live foodstuffs	268,176	322,286
	2,290,194	2,739,806
Commission income from the distribution of fresh and live foodstuffs	58,235	83,696
Revenue from other sources		
Rental income from property leasing	21,295	21,854
	2,369,724	2,845,356

Disaggregation of revenue from contracts with customers by geographic location is disclosed in note 3(b)(iii).

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2019, revenue from sales of tinplate products to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately $273,590,000 (2018: $469,491,000) as disclosed in note 24(a)(i). Details of concentrations of credit risk are set out in note 22(a).

3 REVENUE AND SEGMENT REPORTING (continued)

(b) 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.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of results arising from the activities of the Group's associates.

- Segments assets include all tangible, intangible assets and current assets with the exception of interest in an associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments.

In addition, management is provided with segment information concerning revenue and other information relevant to the assessment of segment performance and allocation of resources between segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

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 year is set out below.

	Tinplating		Fresh and live foodstuffs		Property leasing		Total	
	2019	2018	2019	2018 (Note)	2019	2018	2019	2018 (Note)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	2,022,018	2,417,520	326,411	405,982	21,295	21,854	2,369,724	2,845,356
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	2,022,018	2,417,520	326,411	405,982	21,295	21,854	2,369,724	2,845,356
Reportable segment profit	36,111	2,474	49,213	75,384	15,346	16,015	100,670	93,873
Reportable segment assets	1,808,069	1,694,450	270,228	262,464	458,358	462,199	2,536,655	2,419,113
(including interest in associates)	–	–	100,280	83,212	–	–	100,280	83,212
Reportable segment liabilities	390,368	285,856	23,236	18,182	40,401	40,346	454,005	344,384
Depreciation and amortisation for the year	55,044	62,102	1,869	361	94	176	57,007	62,639
Interest income	9,274	6,090	812	573	–	–	10,086	6,663
Write-down of inventories	5,519	1,448	726	–	–	–	6,245	1,448
Additions to non-current segment assets during the year	26,307	44,483	12,840	142	–	–	39,147	44,625

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

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2019 $'000	2018 (Note) $'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	100,670	93,873
Unallocated income and expenses	(4,697)	(22,663)
Valuation (losses)/gains on investment properties	(10)	65,247
Finance costs	(116)	(12)
Share of loss of an associate not attributable to any segment	(35,265)	(13,821)
Consolidated profit before taxation	60,582	122,624
Assets		
Reportable segment assets	2,536,655	2,419,113
Interest in an associate not attributable to any segment	131,626	170,009
Unallocated assets	378,526	369,679
Consolidated total assets	3,046,807	2,958,801
Liabilities		
Reportable segment liabilities	454,005	344,384
Unallocated liabilities	8,277	9,561
Consolidated total liabilities	462,282	353,945

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

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, deposits and prepayments (non-current portion) and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of operations, in the case of deposits and prepayments (non current portion) and interest in associates.

	Revenue from external customers		Specified non-current assets	
	2019	2018	2019	2018 (Note)
	$'000	$'000	$'000	$'000
Hong Kong (place of domicile)	403,887	522,439	319,977	308,285
Mainland China	1,093,643	1,173,206	963,400	1,031,955
Asian countries (excluding Mainland China and Hong Kong)	597,171	719,193	–	–
Other countries	275,023	430,518	–	–
	1,965,837	2,322,917	963,400	1,031,955
	2,369,724	2,845,356	1,283,377	1,340,240

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

The analysis above includes property rental income from external customers in Hong Kong and in Mainland China of $7,440,000 (2018: $7,191,000) and $13,855,000 (2018: $14,663,000) respectively.

(iv) The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to all its contracts such that no information regarding revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is disclosed because either the remaining performance obligation is part of a contract that has an original expected duration of one year or less or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

4 OTHER REVENUE AND NET LOSSES

	2019 $'000	2018 $'000
Other revenue		
Interest income on financial assets measured at amortised cost	19,312	13,736
Subsidies received	1,497	2,526
Others	2,132	1,824
	22,941	18,086
Other net losses		
Net realised and unrealised exchange (loss)/gain	(4,526)	4,020
Net gains/(losses) on forward foreign exchange contracts	2,602	(7,062)
Net (loss)/gain on disposal of property, plant and equipment	(670)	318
	(2,594)	(2,724)

5 PROFIT BEFORE TAXATION

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

		Note	2019 $'000	2018 (Note (ii)) $'000
(a)	**Finance costs**			
	Interest on loans from a related company		–	12
	Interest on lease liabilities	18(b)	69	–
	Other interest expense		47	–
			116	12
(b)	**Staff costs**			
	Net contributions to defined contribution retirement plans		15,202	15,105
	Salaries, wages and other benefits		171,981	167,649
			187,183	182,754
(c)	**Other items**			
	Cost of inventories sold	(i), 15(b)	2,124,933	2,583,288
	Auditors' remuneration		4,034	3,871
	Depreciation charge	11(a)		
	– Owned property, plant and equipment	(ii)	52,640	70,399
	– Right-of-use assets	(ii)	4,526	3,540
	Total minimum lease payments for leases previously classified as operating leases under HKAS 17	(ii)	–	5,672
	Variable lease payments not included in the measurement of lease liabilities		1,678	2,856
	Write-down of inventories	15(b)	6,245	1,448
	Rentals receivable from investment properties less direct outgoings of $969,000 (2018: $929,000)		(20,326)	(20,925)

Notes:

(i) Cost of inventories sold includes $156,246,000 (2018: $161,590,000) relating to staff costs, depreciation expense and write-down of inventories, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The Group has initially applied HKFRS 16 using the modified retrospective approach 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. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Note	2019 $'000	2018 $'000
Current tax – Hong Kong			
Provision for the year		1,392	9,416
Over-provision in respect of prior years		(40)	(60)
		1,352	9,356
Current tax – the PRC			
Provision for the year		728	1,176
Over-provision in respect of prior years		(5,866)	(4,750)
		(5,138)	(3,574)
Deferred tax			
Origination and reversal of temporary differences		10,201	1,320
	(i)	6,415	7,102

Notes:

(i) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of $20,000 for each company (2018: a maximum reduction of $30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018). Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective 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.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 $'000	2018 $'000
Profit before taxation	60,582	122,624
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	12,572	19,187
Tax effect of non-deductible expenses	9,377	5,261
Tax effect of non-taxable revenue	(6,783)	(14,242)
Tax effect of current year's tax losses not recognised	915	3,331
Tax effect of utilisation of previous years' unrecognised tax losses	(3,760)	(1,625)
Over-provision in respect of prior years	(5,906)	(4,810)
Actual tax expense	6,415	7,102

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2019				
	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Retirement schemes contributions $'000	Bonus $'000	Total $'000
Executive directors					
Chen Benguang (appointed on 17 December 2019)	–	–	–	–	–
Tan Yunbiao (resigned on 17 December 2019)	–	1,053	447	923	2,423
He Jinzhou	–	412	34	550	996
Chau Wang Kei (appointed on 1 September 2019)	–	405	15	–	420
Lau Kin Man (resigned on 1 September 2019)	–	1,009	50	367	1,426
Non-executive director					
Liang Jianqin	–	–	–	–	–
Independent non-executive directors					
Gerard Joseph McMahon	300	–	–	–	300
Li Kar Keung, Caspar	300	–	–	–	300
Wong Yau Kar, David	300	–	–	–	300
Total	900	2,879	546	1,840	6,165

7 DIRECTORS' EMOLUMENTS (continued)

	2018				
	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Retirement schemes contributions $'000	Bonus $'000	Total $'000
Executive directors					
Tan Yunbiao	–	904	355	549	1,808
He Jinzhou	–	450	35	235	720
Lau Kin Man	–	1,123	60	140	1,323
Non-executive director					
Liang Jianqin	–	–	–	–	–
Independent non-executive directors					
Gerard Joseph McMahon	300	–	–	–	300
Li Kar Keung, Caspar	300	–	–	–	300
Wong Yau Kar, David	300	–	–	–	300
Total	900	2,477	450	924	4,751

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2018: two) are directors whose emoluments are disclosed in note 7. The aggregate emoluments in respect of the other three individuals for 2019 (2018: three) are as follows:

	2019 $'000	2018 $'000
Basic salaries, allowances and other benefits	2,869	2,245
Retirement schemes contributions	598	458
Bonus	666	499
	4,133	3,202

The emoluments of the three individuals with the highest emolument in 2019 (2018: three) are within the following bands:

	2019 Number of individuals	2018 Number of individuals
$Nil – $1,000,000	–	1
$1,000,001 – $1,500,000	2	2
$1,500,001 – $2,000,000	1	–

9 DIVIDENDS

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

	2019 $'000	2018 $'000
Interim dividend declared and paid of 1.0 cent (2018: 1.0 cent) per ordinary share	9,076	9,076
Final dividend proposed after the end of the reporting period of 3.0 cents (2018: 3.0 cents) per ordinary share	27,228	27,228
	36,304	36,304

The final dividend proposed 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 year:

	2019 $'000	2018 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents (2018: 3.0 cents) per ordinary share	27,228	27,228

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $54,213,000 (2018: $118,377,000) and 907,593,000 (2018: 907,593,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no potential dilutive shares in existence during the years ended 31 December 2019 and 2018.

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Ownership interests in leasehold land held for own use $'000	Buildings held for own use $'000	Other properties leased for own use $'000	Leasehold improvements $'000	Construction in progress $'000	Plant and machinery, furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:										
At 31 December 2018	144,695	547,248	–	2,164	42,583	813,173	9,720	1,559,583	460,706	2,020,289
Impact on initial application of HKFRS 16 (Note)	–	–	324	–	–	–	–	324	–	324
At 1 January 2019	144,695	547,248	324	2,164	42,583	813,173	9,720	1,559,907	460,706	2,020,613
Exchange adjustments	(3,171)	(11,994)	–	–	(932)	(17,978)	(199)	(34,274)	(3,396)	(37,670)
Additions	–	602	4,080	–	13,109	13,353	8,585	39,729	–	39,729
Disposals	–	(190)	–	–	–	(5,285)	(326)	(5,801)	–	(5,801)
Transfer in from construction in progress	–	3,676	–	–	(50,494)	46,818	–	–	–	–
Fair value adjustment	–	–	–	–	–	–	–	–	(10)	(10)
At 31 December 2019	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	457,300	2,016,861
Representing:										
Cost	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	–	1,559,561
Valuation – 2019	–	–	–	–	–	–	–	–	457,300	457,300
	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	457,300	2,016,861
Accumulated depreciation and impairment losses:										
At 1 January 2019	48,764	277,819	–	2,027	–	600,687	7,585	936,882	–	936,882
Exchange adjustments	(1,132)	(6,538)	–	–	–	(13,716)	(320)	(21,706)	–	(21,706)
Charge for the year	3,399	23,199	1,127	49	–	28,399	993	57,166	–	57,166
Written back on disposals	–	(78)	–	–	–	(4,428)	(293)	(4,799)	–	(4,799)
At 31 December 2019	51,031	294,402	1,127	2,076	–	610,942	7,965	967,543	–	967,543
Net book value:										
At 31 December 2019	90,493	244,940	3,277	88	4,266	239,139	9,815	592,018	457,300	1,049,318

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

	Ownership interests in leasehold land held for own use $'000	Buildings held for own use $'000	Leasehold improvements $'000	Construction in progress $'000	Plant and machinery, furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:									
At 1 January 2018	151,671	559,952	2,135	7,698	848,044	9,674	1,579,174	416,507	1,995,681
Exchange adjustments	(6,976)	(25,804)	–	(354)	(39,394)	(416)	(72,944)	(8,039)	(80,983)
Additions	–	142	29	35,442	6,851	1,036	43,500	–	43,500
Transfer in from investment properties	–	13,009	–	–	–	–	13,009	(13,009)	–
Disposals	–	(51)	–	–	(2,531)	(574)	(3,156)	–	(3,156)
Transfer in from construction in progress	–	–	–	(203)	203	–	–	–	–
Fair value adjustment	–	–	–	–	–	–	–	65,247	65,247
At 31 December 2018	144,695	547,248	2,164	42,583	813,173	9,720	1,559,583	460,706	2,020,289
Representing:									
Cost	144,695	547,248	2,164	42,583	813,173	9,720	1,559,583	–	1,559,583
Valuation – 2018	–	–	–	–	–	–	–	460,706	460,706
	144,695	547,248	2,164	42,583	813,173	9,720	1,559,583	460,706	2,020,289
Accumulated depreciation and impairment losses:									
At 1 January 2018	47,542	255,691	1,978	–	597,700	7,784	910,695	–	910,695
Exchange adjustments	(2,318)	(13,096)	–	–	(29,193)	(344)	(44,951)	–	(44,951)
Charge for the year	3,540	35,251	49	–	34,452	647	73,939	–	73,939
Written back on disposals	–	(27)	–	–	(2,272)	(502)	(2,801)	–	(2,801)
At 31 December 2018	48,764	277,819	2,027	–	600,687	7,585	936,882	–	936,882
Net book value:									
At 31 December 2018	95,931	269,429	137	42,583	212,486	2,135	622,701	460,706	1,083,407

Note: 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. See note 1(c).

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties 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.

	Fair value at 31 December	Fair value measurements as at 31 December 2019 categorised into		
	2019	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Investment properties:				
– Hong Kong	305,700	–	–	305,700
– The PRC	151,600	–	–	151,600

	Fair value at 31 December	Fair value measurements as at 31 December 2018 categorised into		
	2018	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Investment properties:				
– Hong Kong	305,700	–	–	305,700
– The PRC	155,006	–	–	155,006

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3 (2018: $Nil). 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.

Investment properties of the Group situated in Hong Kong with an aggregate value of $305,700,000 (2018: $305,700,000) were revalued at 31 December 2019 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties of the Group situated in the PRC totalling $151,600,000 (2018: $155,006,000) were revalued at 31 December 2019 by an independent firm of surveyors, Guangdong Zhixin Land Real Estate Appraisal Co., Ltd. (31 December 2018: Vigers Appraisal and Consulting Limited), who have among their staff members of the China Institute of Real Estate Appraisers and Agents (2018: Hong Kong Institute of Surveyors) with recent experience in the location and category of property being valued. The chief financial officer has discussions with the surveyors about the valuation assumptions and valuation results when valuations are performed at each interim and annual report date.

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable input	Range	Weighted average
Hong Kong	Income capitalisation approach	Term yield	2.5% to 3.0% (2018: 2.5% to 3.0%)	2.8% (2018: 2.8%)
		Reversionary yield	2.8% to 3.3% (2018: 2.8% to 3.3%)	3.0% (2018: 3.0%)
		Market rent per square foot per month	$50 to $61 (2018: $50 to $61)	$55 (2018: $55)
The PRC	Market comparison approach	Discount on quality of the buildings	-15% to -35% (2018: -11% to -33%)	-27% (2018: -25%)
		Discount on quality of the land	-27% to -39% (2018: -26% to -38%)	-31% (2018: -30%)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

The fair value of investment properties located in Hong Kong is determined by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value measurement is positively correlated to the market rent per square foot per month, and negatively correlated to the term yield and reversionary yield.

The fair value of investment properties located in the PRC is determined using a market comparison approach by reference to recent sales prices for comparable properties on a price per square metre basis, adjusted for a premium or a discount specific to the quality of the Group's buildings and land compared to the recent sales. Higher premiums for higher quality buildings and land will result in a higher fair value measurement.

The movements during the period in the balance of these Level 3 fair value measurements are set out in note 11(a).

Fair value adjustment of investment properties is recognised in the line item "valuation losses/gains on investment properties" on the face of the consolidated income statement.

Exchange adjustment of investment properties is recognised in other comprehensive income in "exchange reserve".

All the losses/gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	31 December 2019 $'000	1 January 2019 $'000
Ownership interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term between 10 and 50 years	(i)	90,493	95,931
Other properties leased for own use, carried at depreciated cost	(ii)	3,277	324
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term of:			
– 50 years or more		305,700	305,700
– between 10 and 50 years		151,600	155,006
		457,300	460,706
		551,070	556,961

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	2018 (Note) $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land for own use	3,399	3,540
Other properties leased for own use	1,127	–
	4,526	3,540
Interest on lease liabilities (note 5(a))	69	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	4,693	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	5,672
Variable lease payments not included in the measurement of lease liabilities	1,678	2,856

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach 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. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year ended 31 December 2019, additions to right-of-use assets were $4,080,000, which related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 20, respectively.

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Right-of-use assets (continued)

(i) Ownership interests in leasehold land held for own use

The Group is the registered owner of the land on which industrial buildings for its tinplating business are located. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office and processing centre through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

(d) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 28 years, with an option to renew the leases upon expiry at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 $'000	2018 $'000
Within 1 year	23,789	18,291
After 1 year but within 2 years	19,012	13,525
After 2 years but within 3 years	13,822	9,564
After 3 years but within 4 years	12,152	7,073
After 4 years but within 5 years	6,475	5,636
After 5 years	4,437	5,873
	79,687	59,962

12 INTEREST IN SUBSIDIARIES

Details of the principal subsidiaries are set out in note 31.

The following table lists out the information relating to Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), a subsidiary of the Group which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Zhongyue Posco	
	2019	2018
	$'000	$'000
NCI percentage	**34%**	34%
Current assets	**277,213**	335,974
Non-current assets	**151,445**	165,710
Current liabilities	**(106,406)**	(177,682)
Non-current liabilities	**(1,201)**	(1,361)
Net assets	**321,051**	322,641
Carrying amount of NCI	**108,365**	108,889
Revenue	**698,972**	885,768
Profit/(loss) for the year	**5,578**	(11,085)
Total comprehensive income	**(1,590)**	(26,799)
Profit/(loss) allocated to NCI	**1,895**	(3,413)
Cash flows from operating activities	**(22,538)**	81,338
Cash flows from investing activities	**(301)**	(628)
Cash flows from financing activities	**(83,723)**	(37,206)

13 INTEREST IN ASSOCIATES

Details of the associates are set out in note 32.

All of the associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of associates

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Yellow Dragon Food Industry Co., Ltd.	
	2019	2018
	$'000	$'000
Gross amounts of the associate's		
Current assets	**513,771**	855,440
Non-current assets	**255,447**	287,920
Current liabilities	**(434,788)**	(712,994)
Non-current liabilities	**(5,364)**	(5,344)
Shareholders' equity	**329,066**	425,022
Revenue	**1,360,934**	1,719,225
Loss for the year	**(88,162)**	(34,553)
Other comprehensive income	**(7,794)**	(21,059)
Total comprehensive income	**(95,956)**	(55,612)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**329,066**	425,022
Group's effective interest	**40%**	40%
Group's share of net assets of the associate	**131,626**	170,009
Carrying amount in the consolidated financial statements	**131,626**	170,009

13 INTEREST IN ASSOCIATES (continued)

Summarised financial information of associates (continued)

Aggregate information of associates that are not individually material:

	2019 $'000	2018 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	100,280	83,212
Aggregate amounts of the Group's share of the associates'		
– Profits less losses for the year	19,781	(3,615)
– Other comprehensive income	(2,714)	(5,376)
– Total comprehensive income	17,067	(8,991)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2019 $'000	2018 $'000
Provision for Hong Kong Profits Tax for the year	1,392	9,416
Provisional Profits Tax paid	(607)	(7,909)
	785	1,507
Tax recoverable relating to prior years	(365)	–
Taxation outside Hong Kong	401	3,264
	821	4,771
Representing:		
Current tax recoverable	(365)	(850)
Current tax payable	1,186	5,621
	821	4,771

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Revaluation of investment properties and other property, plant and equipment $'000	Write-down of inventories $'000	Withholding tax on undistributed profits of PRC subsidiaries and associates $'000	Tax loss $'000	Others $'000	Total $'000
Deferred tax arising from:							
At 1 January 2019	12,829	14,935	(1,051)	6,579	(12,796)	(789)	19,707
Exchange adjustments	(269)	(338)	45	(84)	142	16	(488)
Charged/(credited) to profit or loss	538	499	(1,307)	2,014	8,401	56	10,201
Credited to exchange reserve	–	–	–	–	(892)	–	(892)
At 31 December 2019	13,098	15,096	(2,313)	8,509	(5,145)	(717)	28,528
At 1 January 2018	14,766	17,575	(1,565)	6,691	(15,472)	(959)	21,036
Exchange adjustments	(621)	(742)	55	(109)	637	39	(741)
(Credited)/charged to profit or loss	(1,316)	(1,898)	459	(3)	3,947	131	1,320
Credited to exchange reserve	–	–	–	–	(1,908)	–	(1,908)
At 31 December 2018	12,829	14,935	(1,051)	6,579	(12,796)	(789)	19,707

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

	2019 $'000	2018 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	(175)	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	28,703	19,707
	28,528	19,707

(c) Deferred tax assets not recognised:

	2019 $'000	2018 $'000
Future benefit of tax losses	368,872	372,294

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately $2.2 billion (2018: approximately $2.2 billion) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under the current tax legislation, except for an amount of $101,749,000 (2018: $111,067,000) which will expire within five years.

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2019 $'000	2018 $'000
Raw materials, spare parts and consumables	181,830	161,737
Work in progress	46,438	42,323
Finished goods	102,451	94,413
	330,719	298,473

15 INVENTORIES (continued)

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 $'000	2018 $'000
Carrying amount of inventories sold	2,118,688	2,581,840
Write-down of inventories	6,245	1,448
	2,124,933	2,583,288

16 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 $'000	2018 $'000
Trade debtors	225,866	217,386
Bills receivable	154,554	147,786
Other receivables, deposits and prepayments	91,278	92,593
Amounts due from a related company (note (i))	3,551	15,051
Amounts due from associates (note (ii))	14,727	14,938
Loans to an associate (note (iii))	15,969	10,201
Derivative financial instruments (note 22(e))	876	110
	506,821	498,065
Less: Deposits and prepayments (non-current portion) (note (iv))	(2,153)	(3,612)
Trade and other receivables, deposits and prepayments (current portion) (note (v))	504,668	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 31 December 2019 and 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 31 December 2019 and 2018, the loans to an associate were unsecured, interest-bearing at 5.0% per annum and repayable within one year.

(iv) As at 31 December 2019 and 2018, the deposits and prepayments (non-current portion) represent deposits mainly for acquisition of equipment in relation to other property, plant and equipment.

(v) All of the trade and other receivables, deposits and prepayments of the Group are expected to be recovered or recognised as expense within one year for both years.

16 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Ageing analysis

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:

	2019 $'000	2018 $'000
Within 1 month	**368,651**	379,253
1 to 3 months	**14,506**	919
Over 3 months	**814**	51
	383,971	380,223

The Group maintains a defined policy with credit periods ranging from advance payment to not more than 180 days.

Further details on the Group's credit policy and credit risk arising from trade debtors, bills receivable and trade balances due from a related company are set out in note 22(a).

17 PLEDGED DEPOSITS

As at 31 December 2019, deposits at banks of $23,890,000 (2018: $30,655,000) were pledged as securities for bills payable.

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2019 $'000	2018 $'000
Deposits with banks	695,776	344,682
Cash at bank and in hand	207,837	449,448
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	903,613	794,130

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities (Note 20) $'000
At 31 December 2018	–
Impact on initial application of HKFRS 16 (Note)	324
At 1 January 2019	324
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,101)
Interest element of lease rentals paid	(69)
Total changes from financing cash flows	(1,170)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	4,080
Interest expenses (note 5(a))	69
Total other changes	4,149
At 31 December 2019	3,303

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Loans from a related company $'000
At 1 January 2018	39,000
Changes from financing cash flows:	
Repayment of loans from a related company and total changes from financing cash flows	(39,000)
At 31 December 2018	–

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

(c) Total cash outflow for leases

Amounts included in the cash flow statement for lease rentals paid comprise the following:

	2019 $'000	2018 (Note) $'000
Within operating cash flows	6,371	8,528
Within financing cash flows	1,170	–
	7,541	8,528

Note: As explained in the note to the consolidated cash flow statement, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

(d) Non-cash transactions

As at 31 December 2019, the Group had payables in relation to the additions of property, plant and equipment of $4,485,000 (2018: $2,875,000) which were included in trade and other payables. These additions have no cash flow impact to the Group.

19 TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Trade creditors	45,928	26,086
Bills payable	214,821	136,169
Other payables and accrued charges	83,448	67,452
Contract liabilities	20,280	27,631
Amounts due to a related company (note (i))	62,485	69,854
Amount due to an associate (note (ii))	825	690
Amounts due to fellow subsidiaries (note (iii))	1,303	735
	429,090	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 repayable on demand.

(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 $2,309,000 (2018: $1,469,000), which is expected to be settled or recognised as income after more than one year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sale of tinplate products

When the Group receives a deposit before the sale activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the sale exceeds the amount of the deposit. The amount of the deposit is negotiated on a case by case basis with customers.

19 TRADE AND OTHER PAYABLES (continued)

Movements in contract liabilities

	2019 $'000	2018 $'000
Balance at 1 January	27,631	31,547
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(27,631)	(31,547)
Increase in contract liabilities as a result of receiving deposits during the year	20,280	27,631
Balance at 31 December	20,280	27,631

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:

	2019 $'000	2018 $'000
Due within 1 month or on demand	141,946	162,061
Due after 1 month but within 3 months	123,050	70,738
Due after 3 months but within 1 year	59,063	–
	324,059	232,799

20 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	2,081	2,168	276	287
After 1 year but within 2 years	1,222	1,237	48	48
	3,303	3,405	324	335
Less: Total future interest expenses		(102)		(11)
Present value of lease liabilities		3,303		324

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

21 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital $'000	Special capital reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2018	459,651	107,440	629,269	1,196,360
Changes in equity for 2018:				
Total comprehensive income for the year	–	–	137,764	137,764
Dividends approved in respect of the previous year	–	–	(27,228)	(27,228)
Dividends declared in respect of the current year	–	–	(9,076)	(9,076)
Balance at 31 December 2018 and 1 January 2019	**459,651**	**107,440**	**730,729**	**1,297,820**
Changes in equity for 2019:				
Total comprehensive income for the year	–	–	**66,207**	**66,207**
Dividends approved in respect of the previous year	–	–	**(27,228)**	**(27,228)**
Dividends declared in respect of the current year	–	–	**(9,076)**	**(9,076)**
Balance at 31 December 2019	**459,651**	**107,440**	**760,632**	**1,327,723**

21 CAPITAL AND RESERVES (continued)

(b) Share capital

	2019 Number of shares '000	2019 $'000	2018 Number of shares '000	2018 $'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**907,593**	**459,651**	907,593	459,651

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) **Revaluation reserve**

The revaluation reserve has been set up and is dealt with in accordance with the accounting policy set out in note 1(i).

(ii) **Special capital reserve**

The special capital reserve was created under the capital reorganisation of the Company which was completed in 2005. The Company had given an undertaking to the High Court of Hong Kong in relation to the amount credited to such reserve to the effect that such reserve will not be treated as realised profits and will not be distributable unless and until certain conditions have been fulfilled.

(iii) **Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(iv) Other reserves represent statutory reserves of entities established in the PRC.

21 CAPITAL AND RESERVES (continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's capital comprises its equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of 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. It is the Group's strategy to keep the gearing ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or realise assets to reduce debt. At 31 December 2019 and 2018, the gearing ratio of the Group was as follows:

	2019 $'000	2018 $'000
Borrowings	–	–
Less: Pledged deposits	(23,890)	(30,655)
Cash and cash equivalents	(903,613)	(794,130)
Net cash	(927,503)	(824,785)
Equity attributable to equity shareholders of the Company	2,438,584	2,456,449
Gearing ratio	-38.0%	-33.6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and trade balances due from related companies. The Group's exposure to credit risk arising from pledged deposits, cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are major financial institutions in the PRC and Hong Kong, for which the Group considers to have low credit risk.

Other receivables, deposits and prepayments, amounts due from associates and loans to an associate are reviewed regularly, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade debtors and trade balances due from related companies

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6.4% (2018: 9.0%) and 25.3% (2018: 33.1%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and there are insurance contracts to cover the potential exposure to credit risk of certain customers in the tinplating business, the allowance for expected credit losses is insignificant.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade debtors and trade balances due from related companies (continued)

The following table provides information about the Group's exposure to credit risk and ageing analysis of trade debtors and trade balances due from related companies as at 31 December 2019:

	Gross carrying amount	
	2019	2018
	$'000	$'000
Current (not past due)	**223,252**	223,098
Less than 1 month past due	**3,856**	9,205
1 to 3 months past due	**1,495**	83
More than 3 months but less than 12 months past due	**814**	51
Amounts past due	**6,165**	9,339
	229,417	232,437

Movement in the loss allowance account in respect of trade receivables during the year was as follows:

	$'000
Balance at 1 January 2018	37
Amount written off during the year	(37)
Balance at 31 December 2018, 1 January 2019 and 31 December 2019	–

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management. However, except for placing fixed deposits with major financial institutions, the individual operating entities require approval from the Company regarding short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group is required to pay.

	2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Trade and other payables	406,501	2,084	225	–	408,810	408,810
Lease liabilities (note)	2,168	1,237	–	–	3,405	3,303
	408,669	3,321	225	–	412,215	412,113

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Trade and other payables	327,148	1,469	–	–	328,617	328,617

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents and loans to an associate. Borrowings and lendings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group has not used financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings and lendings (being interest-bearing borrowings less pledged deposits, cash and cash equivalents and interest-bearing lendings) at the end of the reporting period.

	2019		2018	
	Effective interest rate per annum	$'000	Effective interest rate per annum	$'000
Fixed rate borrowings:				
Lease liabilities (note)	3.7%	3,303	–	–
Fixed rate lendings:				
Deposits with banks	2.23%	(695,776)	2.81%	(344,682)
Loans to an associate	5.0%	(15,969)	5.0%	(10,201)
Variable rate lendings:				
Pledged deposits, cash at bank and in hand	0.15%	(231,727)	0.19%	(480,103)
Total net lending		(940,169)		(834,986)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 1(c).

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase of 100 (2018: 100) basis points or a general decrease of 10 (2018: 10) basis points in interest rates, with all other variables held constant, would have led to an increase of approximately $1,928,000 (2018: $4,198,000) or a decrease of approximately $193,000 (2018: $420,000) respectively in the Group's profit after taxation and retained profits.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2018.

(d) Currency risk

The Group is exposed to 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.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities (other than inter-company loans and current accounts) denominated in a currency other than the functional currency of the entity to which they relate.

	2019	
	United States Dollars '000	Renminbi '000
Trade and other receivables, deposits and prepayments	11,509	11,679
Cash and cash equivalents	27,610	16,247
Trade and other payables	(9,795)	(327)
Gross exposure arising from recognised assets and liabilities	29,324	27,599

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

	2018	
	United States Dollars '000	Renminbi '000
Trade and other receivables, deposits and prepayments	13,136	12,005
Cash and cash equivalents	30,297	14,201
Trade and other payables	(10,375)	(553)
Gross exposure arising from recognised assets and liabilities	33,058	25,653

At 31 December 2019, the Group was also exposed to currency risk arising from intercompany current accounts amounting to US$2,039,000 (equivalent to $15,904,000) (2018: US$1,973,000 (equivalent to $15,389,000)), HK$1,309,000 (2018: HK$1,309,000) and RMB17,153,000 (equivalent to $19,148,000) (2018: RMB17,957,000 (equivalent to $20,494,000)) which were not in the functional currency of the relevant companies.

Furthermore, at 31 December 2019, forward foreign exchange contracts of notional amounts totalling US$21,500,000 (equivalent to $167,700,000) (2018: US$6,000,000 (equivalent to $46,800,000)) against Renminbi were entered into by the Group for hedging the currency risk of forecast transactions. Changes in the fair value of forward foreign exchange contracts are recognised in profit or loss and their net fair values at 31 December 2019 of $876,000 (2018: $110,000) were recognised as derivative financial instruments and included in trade and other receivables, deposits and prepayments (note 16).

(ii) Sensitivity analysis

The sensitivity analysis set out below indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

At 31 December 2019, it is estimated that if United States Dollars had weakened or strengthened by 3% (2018: 3%) against Renminbi with all other variables held constant, the Group's profit after taxation and retained profits would have been decreased or increased by $3,793,000 (2018: $2,062,000) respectively.

At 31 December 2019, it is estimated that if Renminbi had strengthened or weakened by 3% (2018: 3%) against Hong Kong Dollars with all other variables held constant, the Group's profit after taxation and retained profits would have been increased or decreased by $1,537,000 (2018: $1,516,000) respectively.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

The analysis is prepared under the assumption that, the pegged rate between Hong Kong Dollars and United States Dollars would be materially unaffected by any changes in movement in value of United States Dollars against other currencies. That is, for entities with Hong Kong Dollars as their functional currency, United States Dollars denominated assets and liabilities are assumed to have no currency risk exposure.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2018.

(e) Fair value measurement

(i) Financial instruments measured at fair value

Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Valuation reports on fair value measurement of financial instruments are prepared by 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.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(i) Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2019 $'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements:				
Asset:				
Forward foreign exchange contracts (note 16)	876	–	876	–

	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:				
Asset:				
Forward foreign exchange contracts (note 16)	110	–	110	–

During the years ended 31 December 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.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

23 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 $'000	2018 $'000
Contracted for	11,282	12,192
Authorised but not contracted for	23,014	14,236
	34,296	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

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 1(c)). 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 1(k), and the details regarding the Group's future lease payments are disclosed in note 20.

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

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, 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 year which the directors consider to be material:

	Note	2019 $'000	2018 $'000
Sales of goods to related companies	(i)	273,590	469,491
Commission paid/payable to a related company	(i) , (ii)	976	6,844
Commission received/receivable from associates	(iii)	13,216	19,510
Interest income received/receivable from an associate	(iv)	676	428
Purchases of goods from associates	(v)	12,313	8,974
Purchases of goods from related companies including transport services fee paid/payable	(i)	272,586	393,609
Purchases of electricity from a fellow subsidiary	(vi)	30,231	28,697

Notes:

(i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd. and its subsidiaries ("POSCO Group").

(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 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 16 and 19 which are settled in accordance with normal trade terms, the amounts due from associates and loans to an associate as disclosed in note 16, these balances are unsecured, interest-free and have no fixed terms of repayment.

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions with POSCO Group and that in respect of purchases of electricity from a fellow subsidiary above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are set out in "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" section of the annual report on pages 121 and 122. The related party transactions in respect of distribution and trading of fresh and live foodstuffs with associates and loans to an associate do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) 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 these financial statements, 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 financial statements, the directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2019 $'000	2018 $'000
Short-term employee benefits	4,719	3,401
Post-employment benefits	546	450
	5,265	3,851

Total remuneration is included in "staff costs" (see note 5(b)).

25 RETIREMENT BENEFITS SCHEME

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 year ended 31 December 2019 was $15,202,000 (2018: $15,194,000).

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 $'000	2018 $'000
Non-current assets			
Investment properties		307,900	307,900
Other property, plant and equipment		900	481
		308,800	308,381
Interest in subsidiaries		316,264	316,249
Interest in an associate		164,278	164,278
		789,342	788,908
Current assets			
Receivables, deposits and prepayments		26,355	27,225
Loans to subsidiaries		160,000	140,000
Cash and cash equivalents		362,663	353,736
		549,018	520,961
Current liabilities			
Other payables		10,637	12,049
Net current assets		538,381	508,912
NET ASSETS		1,327,723	1,297,820
CAPITAL AND RESERVES	21(a)		
Share capital		459,651	459,651
Reserves		868,072	838,169
TOTAL EQUITY		1,327,723	1,297,820

Approved and authorised for issue by the board of directors on 27 March 2020.

Chen Benguang
Director

Chau Wang Kei
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

27 COMPARATIVE FIGURES

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

28 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate and ultimate holding company at 31 December 2019 to be GDH Limited and Guangdong Holdings Limited respectively. GDH Limited is incorporated in Hong Kong and Guangdong Holdings Limited is established in the PRC. Guangdong Holdings Limited produces financial statements available for public use.

29 SUBSEQUENT EVENTS

(a) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9(a).

(b) On 3 March 2020, the Group commenced public tender on GuangDong United Assets and Equity Exchange in relation to the potential disposal of the Group's equity interest in Yellow Dragon. As of the reporting date of these financial statements, the public tender is still in process.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 LIST OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2019 are as follows:

Name of subsidiary	Place of incorporation or establishment/ place of operations	Class of shares held	Particulars of issued and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	a subsidiary	Principal activities
Guangnan Hong Company Limited	Hong Kong	Ordinary	$73,916,728	100%	–	Distribution and sales of fresh and live foodstuffs and foodstuffs trading
Guangnan Live Pigs Trading Limited	Hong Kong	Ordinary	$12,000,000	–	51%	Distribution of live pigs
Zhongyue Industry Material Limited	Hong Kong	Ordinary Non-voting deferred	$10 $230,000,000	–	100%	Investment holding
Zhongshan Zhongyue Tinplate Industrial Co., Ltd.# ^	The PRC	N/A	US$84,252,800	–	100%	Production and sales of tinplate products and property leasing
Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.* ^	The PRC	N/A	US$30,000,000	–	66%	Production and sales of tinplate products

a wholly foreign-owned enterprise

* an equity joint venture

^ companies not audited by KPMG

32 DETAILS OF ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of establishment and operations	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Company	Proportion of nominal value of issued capital/ registered capital held by a subsidiary	Principal activities
Yellow Dragon Food Industry Co., Ltd.* ("Yellow Dragon")	The PRC	N/A	40%	–	Processing and sales of corn food and feed products (Note (i))
Hubei Jinxu Agriculture Development Co., Ltd.* ("Hubei Jinxu")	The PRC	Ordinary	–	15.45%	Pig farming and sales of pigs and related activities (Note (ii))
Guangdong Zijin Baojin Livestock Co., Ltd.* ("Guangdong Baojin")	The PRC	N/A	–	34%	Pig farming and sales of pigs (Note (iii))

* equity joint ventures

Notes:

(i) Yellow Dragon is engaged in the processing and sale of corn food and feed products, enabling the Group to have exposure to this industry through the expertise of the joint venture partner.

(ii) Hubei Jinxu is engaged in pig farming, sales of pigs and related activities in Guangdong and Hubei, enabling the Group to maintain stable and premium quality sources of live pigs for distribution to Hong Kong.

(iii) Guangdong Baojin is engaged in pig farming and sales of pigs in Guangdong, enabling the Group to maintain stable and premium quality sources of live pigs for distribution to Hong Kong.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

During the year, the Group had the following connected transactions which are required to be disclosed in the annual report in accordance with the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The transactions described in A to E below (collectively the "Transactions") are continuing connected transactions subject to annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules and reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

Details of the Transactions during the year were as follows:

A. Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"), a 66% owned subsidiary of the Group, purchased blackplates from POSCO Co., Ltd. ("POSCO") and its subsidiaries (collectively "POSCO Group") and POSCO-China Holding Corporation ("POSCO China") provided certain services to Zhongyue Tinplate in respect of the transport of the blackplates supplied by POSCO Asia Company Limited ("POSCO Asia") to Zhongyue Tinplate in their ordinary course of business and on normal commercial terms for approximately HK$272,586,000 ("Transaction on Purchase of Blackplates and Engagement of Transport Services"). POSCO China and POSCO Asia are the wholly-owned subsidiaries of POSCO, which is a substantial shareholder of Zhongyue Posco.

B. Zhongyue Tinplate and Zhongyue Posco supplied tinplate products to POSCO Asia and Zhongyue Tinplate supplied tinplate products to POSCO DAEWOO Corporation in their ordinary course of business and on normal commercial terms for approximately HK$272,614,000 ("Transaction on Sales of Tinplates").

C. Zhongyue Tinplate purchased electricity from Zhongshan Yuehai Energy Services Co., Ltd. ("Zhongshan Energy") through the power grid provided by Guangdong Power Grid Company Limited in its ordinary course of business and on normal commercial terms for approximately HK$30,231,000 ("Purchase of Electricity").

D. there was no bills discounting services provided by GDH Finance Co., Ltd. ("GDH Finance") ("Bills Discounting Services").

E. GDH Finance provided deposit services to the Company in its ordinary course of business and on normal commercial terms for a maximum daily balance of RMB5,037,000 ("Deposit Services").

The board of directors of the Company (the "Board") including the Independent Non-Executive Directors and the Internal Audit Department have reviewed the Transactions described in A to E above and confirmed that the Transactions were:

(i) entered into by the Company, Zhongyue Tinplate and Zhongyue Posco in their ordinary and usual course of businesses;

(ii) conducted on normal commercial terms or better from the perspective of the Company, Zhongyue Tinplate and Zhongyue Posco; and

(iii) entered into in accordance with the agreements governing the Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board including the Independent Non-Executive Directors also confirmed that:

(i) the aggregate amount for the year ended 31 December 2019 did not exceed the annual cap amount of US$123,132,000 (equivalent to approximately HK$960,430,000) for the Transaction on Purchase of Blackplates and Engagement of Transport Services as disclosed in the announcement dated 28 December 2017;

(ii) the aggregate amount for the year ended 31 December 2019 did not exceed the annual cap amount of US$139,850,000 (equivalent to approximately HK$1,090,830,000) for the Transaction on Sales of Tinplates as disclosed in the announcement dated 29 August 2018;

(iii) the aggregate amount for the year ended 31 December 2019 did not exceed the annual cap amount of RMB33,100,000 (equivalent to approximately HK$37,287,150) for the Purchase of Electricity as disclosed in the announcement dated 6 November 2018;

(iv) the aggregate amount for the year ended 31 December 2019 did not exceed the annual cap amount of RMB32,000,000 for the Bills Discounting Services as disclosed in the announcement dated 30 May 2018; and

(v) the maximum daily balance (including interests) for the year ended 31 December 2019 did not exceed the annual cap amount of RMB32,000,000 for the Deposit Services as disclosed in the announcement dated 30 May 2018.

The Company's auditors were engaged to report on the Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits and Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the HKICPA. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the Transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the Company does not have other disclosure obligations under Rule 13.21 of the Listing Rules.

Investment Properties

MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Group's interest	Category of the lease
29/F, Shui On Centre, 6–8 Harbour Road, Wan Chai, Hong Kong	Commercial	100%	Long
Land, buildings and structure of Zhongshan Zhongyue Tinplate Industrial Co., Ltd., 25 Yanjiangdongyi Road, Torch Development Zone, Zhongshan, Guangdong Province, the PRC	Industrial/Residential	100%	Medium

Financial Summary

(Expressed in Hong Kong dollars)

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	$'000	$'000	$'000	$'000	$'000
Revenue	**2,369,724**	2,845,356	2,186,010	2,246,114	2,478,661
Profit from operations	**76,192**	74,825	5,522	84,302	87,203
Valuation (losses)/gains on investment Properties	**(10)**	65,247	20,271	3,738	4,200
Finance costs	**(116)**	(12)	(1,016)	(1,449)	(9,962)
Share of profits less losses of associates	**(15,484)**	(17,436)	23,159	30,545	(17,637)
Profit before taxation	**60,582**	122,624	47,936	117,136	63,804
Income tax	**(6,415)**	(7,102)	7,864	(7,766)	(9,302)
Profit for the year	**54,167**	115,522	55,800	109,370	54,502
Attributable to:					
Equity shareholders of the Company	**54,213**	118,377	65,797	108,484	66,285
Non-controlling interests	**(46)**	(2,855)	(9,997)	886	(11,783)
Profit for the year	**54,167**	115,522	55,800	109,370	54,502
Earnings per share					
Basic	**6.0 cents**	13.0 cents	7.2 cents	12.0 cents	7.3 cents
Diluted	**6.0 cents**	13.0 cents	7.2 cents	12.0 cents	7.3 cents
Dividend per share					
Interim	**1.0 cent**	1.0 cent	1.0 cent	1.0 cent	2.0 cents
Proposed final	**3.0 cents**	3.0 cents	3.0 cents	3.0 cents	1.0 cent

(Expressed in Hong Kong dollars)

ASSETS AND LIABILITIES

	As at 31 December				
	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Investment properties	457,300	460,706	416,507	384,826	392,061
Other property, plant and equipment	592,018	622,701	668,479	704,704	851,533
	1,049,318	1,083,407	1,084,986	1,089,530	1,243,594
Interest in associates	231,906	253,221	286,261	267,774	255,596
Other non-current assets	2,328	3,612	2,341	5,476	6,431
Net current assets	1,330,898	1,284,323	1,258,040	1,140,721	1,034,574
Total assets less current liabilities	2,614,450	2,624,563	2,631,628	2,503,501	2,540,195
Non-current liabilities	(29,925)	(19,707)	(21,255)	(32,711)	(38,679)
Net assets	2,584,525	2,604,856	2,610,373	2,470,790	2,501,516
Share capital	459,651	459,651	459,651	459,651	459,651
Other reserves	1,978,933	1,996,798	1,993,198	1,850,313	1,870,601
Total equity attributable to equity shareholders of the Company	2,438,584	2,456,449	2,452,849	2,309,964	2,330,252
Non-controlling interests	145,941	148,407	157,524	160,826	171,264
Total equity	2,584,525	2,604,856	2,610,373	2,470,790	2,501,516

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