



粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Formerly known as Guangnan (Holdings) Limited) (前稱廣南(集團)有限公司)
(Incorporated in Hong Kong with limited liability) (於香港註冊成立的有限公司)
(Stock code 股份代號: 01203)

INTERIM REPORT

中期報告 2020



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Corporate Information

(As at 21 August 2020)

BOARD OF DIRECTORS

Executive Directors

CHEN Benguang (*Chairman*)

HE Jinzhou (*General Manager*)

CHAU Wang Kei (*Chief Financial Officer*)

Non-Executive Director

WANG Longhai

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

TSANG Tsz Ying, Fion

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

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

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Facsimile : (852) 2583 9288

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SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

SHARE INFORMATION

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* 5 October 2020

*Closure of Register
of Members* 6 October 2020 and
7 October 2020

Interim Dividend HK1.0 cent per share

Payment Date 23 October 2020

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | Change |
|--|---------------------------------|-------------------------------------|--------|
| | 2020 \$'000 | 2019 \$'000 | |
| Revenue | 1,130,089 | 1,176,577 | -4.0% |
| Profit from operations | 39,638 | 53,088 | -25.3% |
| Profit attributable to shareholders | 46,610 | 32,949 | 41.5% |
| Basic earnings per share | 5.1 cents | 3.6 cents | 41.7% |
| Interim dividend per share | 1.0 cent | 1.0 cent | 0.0% |
| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 | Change |
| Total assets | 3,196,686 | 3,046,807 | 4.9% |
| Shareholders' equity | 2,426,612 | 2,438,584 | -0.5% |
| Net asset value per share ¹ | \$2.67 | \$2.69 | -0.7% |
| Closing market price per share | \$0.64 | \$0.78 | |
| Net cash ² | (950,200) | (927,503) | |
| Gearing ratio ³ | -39.2% | -38.0% | |

Notes:

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

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

2. Borrowings – pledged deposits, cash and cash equivalents

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

RESULTS

For the first half of 2020, the Group's unaudited consolidated profit attributable to shareholders was HK\$46,610,000, representing an increase of 41.5% compared with HK\$32,949,000 for the same period last year. The basic earnings per share was HK5.1 cents, an increase of 41.7% from HK3.6 cents for the same period last year.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for 2020 of HK1.0 cent per share (2019: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2020, the Group's consolidated revenue was HK\$1,130,089,000, representing a decrease of HK\$46,488,000 or 4.0% from HK\$1,176,577,000 for the same period last year. Profit from operations was HK\$39,638,000, representing a decrease of HK\$13,450,000 or 25.3% from HK\$53,088,000 for the same period last year.

In respect of our tinplating business, the industry remained stable but weak and excess capacity has not been changed fundamentally. The demand for tinplate products from some downstream business in tinplate-importing countries decreased due to the slowdown of economic growth and the outbreak of COVID-19 pandemic. However, the domestic demand in China increased gradually after the slowdown of pandemic. Sales volume of tinplate products in the first half of 2020 increased by 13,142 tonnes, representing an increase of 10.3% as compared to the same period last year. Selling price of tinplate products decreased during the period. The revenue was HK\$948,426,000, a decrease of HK\$36,863,000 or 3.7% as compared to the same period last year. The segment profit was HK\$12,123,000, a decrease of HK\$6,253,000 or 34.0% as compared to the same period last year.

As regards the fresh and live foodstuffs business, the price of live pigs increased significantly in the first half of 2020 as compared to the same period last year due to the African swine fever and tight supply of domestic pigs in China. However, the number of live pigs sold and commission rate decreased, leading to a decrease in profit of live pigs' distribution and self-operated business. For the two associates which are engaged in pig farming and sales of pigs, an increase in profits was recorded. The revenue was HK\$171,504,000, a decrease of HK\$9,092,000 or 5.0% as compared to the same period last year. The segment profit was HK\$57,173,000, an increase of HK\$28,281,000 or 97.9% as compared to the same period last year. The Group's overall market share in the live pigs supply into Hong Kong was about 47% in the first half of 2020.

BUSINESS REVIEW (Continued)

In respect of the property leasing business, the rental income for the first half of 2020 decreased by HK\$533,000 as compared to the same period last year, and the segment profit decreased by HK\$272,000 as compared to the same period last year. The value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$9,341,000 were recorded for the period, while no valuation changes were recorded in the same period last year.

For the associates, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") recorded a decrease in loss as compared to the same period last year, mainly due to the increased gross profit per unit. Yellow Dragon recorded a loss of HK\$12,693,000 for the period. In addition, the price of pigs increased significantly in the first half of 2020 as compared to the same period last year. This led to the turning from a loss to profit for 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 period was a total of HK\$31,391,000.

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. ("GDH Zhongyue") is the wholly-owned subsidiary of the Company. The Company holds 66% interest in the subsidiary, GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("GDH 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 are 490,000 tonnes and 140,000 tonnes respectively, of which 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from GDH Zhongyue's capacity while 200,000 tonnes of tinplate products are from GDH Zhongyue Posco's capacity.

The revenue of the tinplating business accounted for 83.9% of the Group's revenue. In the first half of 2020, with the increased domestic demand in China, the Group produced 138,583 tonnes of tinplate products, representing an increase of 0.5% as compared to the same period last year. Among which, GDH Zhongyue and GDH Zhongyue Posco produced 96,941 tonnes and 41,642 tonnes respectively, an increase of 8.4% and a decrease of 14.0% respectively as compared to the same period last year. In addition, the Group sold 140,882 tonnes of tinplate products, an increase of 10.3% as compared to the same period last year, of which, GDH Zhongyue and GDH Zhongyue Posco sold 98,318 tonnes and 42,564 tonnes respectively, an increase of 19.4% and a decrease of 6.3% respectively as compared to the same period last year. Selling price of tinplate products decreased during the period. The revenue for the period was HK\$948,426,000, a decrease of HK\$36,863,000 or 3.7% as compared to the same period last year. The segment profit was HK\$12,123,000, a decrease of HK\$6,253,000 or 34.0% as compared to the same period last year.

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

BUSINESS REVIEW (Continued)

Fresh and Live Foodstuffs

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

In the first half of 2020, the revenue of the fresh and live foodstuffs business amounted to HK\$171,504,000, representing a decrease of HK\$9,092,000 or 5.0% as compared to the same period last year. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$31,391,000 (30 June 2019: share of losses of HK\$3,299,000), the segment profit was HK\$57,173,000, representing an increase of HK\$28,281,000 or 97.9% as compared to the same period last year. Notwithstanding the significant increase in the price of live pigs in the first half of 2020 as compared to the same period last year, the number of live pigs sold and the commission rate decreased, leading to a decrease in profit of live pigs’ distribution and self-operated business, while an increase in profits was recorded by the two associates which are engaged in pig farming and sales of pigs.

Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, enhanced service standards and actively maintained the market supply, the overall market share in the live pigs supply into Hong Kong was about 47%. This provided a certain contribution to the earnings of the Group.

Property Leasing

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

In the first half of 2020, the property occupancy rate for the property leasing business of the Group was 88.0%, representing a decrease of 3.3 percentage points as compared to the same period last year. Revenue was HK\$10,159,000, a decrease of 5.0% as compared to the same period last year. The segment profit amounted to HK\$7,349,000, a decrease of 3.6% as compared to the same period last year. In addition, the value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$9,341,000 were recorded for the period, while no valuation loss was recorded in the same period last year.

Yellow Dragon

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

In the first half of 2020, Yellow Dragon recorded a sales volume of 128,687 tonnes of corn starch, its major product, representing a decrease of 23.6% as compared to the same period last year. Product selling prices increased during the period. Revenue amounted to HK\$531,240,000, a decrease of 20.4% as compared to the same period last year. Due to the increase in gross profit per unit, loss decreased as compared to the same period last year. Yellow Dragon recorded a loss of HK\$12,693,000 in the first half of 2020. As the Company holds a 40% interest in Yellow Dragon, the Group’s share of loss was HK\$5,077,000 (30 June 2019: HK\$13,678,000).

FINANCIAL POSITION

As at 30 June 2020, the Group's total assets and total liabilities amounted to HK\$3,196,686,000 and HK\$627,023,000, representing an increase of HK\$149,879,000 and HK\$164,741,000 respectively when compared with the positions at the end of 2019. Net current assets increased from HK\$1,330,898,000 at the end of 2019 to HK\$1,341,286,000 as at 30 June 2020. The current ratio (current assets divided by current liabilities) decreased from 4.1 at the end of 2019 to 3.3 as at 30 June 2020.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2020 was HK\$993,074,000, representing an increase of 9.9% when compared with the position at the end of 2019, of which 49.2% was denominated in Renminbi, 24.1% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income increased from HK\$8,289,000 for the same period last year to HK\$10,904,000 for the period.

As at 30 June 2020, 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 -39.2% (31 December 2019: -38.0%).

As at 30 June 2020, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$451,222,000, of which HK\$260,552,000 was utilised and HK\$190,670,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2020 amounted to HK\$13,432,000 (30 June 2019: HK\$17,177,000). Capital commitments outstanding at 30 June 2020 not provided for in the financial statements amounted to HK\$52,594,000 (31 December 2019: HK\$34,296,000), mainly for the renovation of production facilities of GDH Zhongyue. It is expected that the capital expenditure for 2020 will be approximately HK\$70,000,000.

Acquisitions and Disposals of Investments

The Group had no material acquisitions and disposals of investments during the first half of 2020.

Pledge of Assets

As at 30 June 2020, deposits at banks of HK\$11,866,000 (31 December 2019: HK\$23,890,000) were pledged as securities for bills payable and letters of credit. Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

FINANCIAL POSITION (Continued)

Exchange Rate and Interest Rate Exposures

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

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2020, forward foreign exchange contracts of USD7,000,000 (equivalent to HK\$54,600,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. 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.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents, loan from a fellow subsidiary 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 30 June 2020, the Group had a total of 1,086 full-time employees, an increase of 5 from 1,081 at the end of 2019. 190 employees were based in Hong Kong and 896 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 2020, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

PROSPECTS

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 and develop new profit growth points proactively.

Facing the current uncertain development of the COVID-19 pandemic, 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 maximising value for its shareholders.

Review Report



**Review report to the board of directors of GDH Guangnan (Holdings) Limited
(formerly known as Guangnan (Holdings) Limited)**
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 11 to 36 which comprises the consolidated statement of financial position of GDH Guangnan (Holdings) Limited (formerly known as Guangnan (Holdings) Limited) as of 30 June 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

21 August 2020

Consolidated Income Statement

for the six months ended 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Revenue | 3 | 1,130,089 | 1,176,577 |
| Cost of sales | | (1,010,734) | (1,047,147) |
| Gross profit | | 119,355 | 129,430 |
| Other revenue | 4 | 12,767 | 9,846 |
| Other net losses | 4 | (1,412) | (2,333) |
| Selling and distribution costs | | (27,989) | (29,462) |
| Administrative expenses | | (63,083) | (54,393) |
| Profit from operations | | 39,638 | 53,088 |
| Valuation losses on investment properties | 8(b) | (9,341) | – |
| Finance costs | 5(a) | (1,416) | (5) |
| Share of profits less losses of associates | | 26,314 | (16,977) |
| Profit before taxation | 5 | 55,195 | 36,106 |
| Income tax | 6 | (9,396) | (1,257) |
| Profit for the period | | 45,799 | 34,849 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 46,610 | 32,949 |
| Non-controlling interests | | (811) | 1,900 |
| Profit for the period | | 45,799 | 34,849 |
| Earnings per share | | | |
| Basic | 7(a) | 5.1 cents | 3.6 cents |
| Diluted | 7(b) | 5.1 cents | 3.6 cents |

The notes on pages 18 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Profit for the period | 45,799 | 34,849 |
| Other comprehensive income for the period: | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on translation of financial statements of: | | |
| – subsidiaries outside Hong Kong | (28,763) | (6,126) |
| – associates outside Hong Kong | (5,447) | (690) |
| – tax benefit related to a subsidiary outside Hong Kong | 777 | 160 |
| Net-of-tax amount | (33,433) | (6,656) |
| Total comprehensive income for the period | 12,366 | 28,193 |
| Attributable to: | | |
| Equity shareholders of the Company | 15,256 | 26,738 |
| Non-controlling interests | (2,890) | 1,455 |
| Total comprehensive income for the period | 12,366 | 28,193 |

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

Consolidated Statement of Financial Position

at 30 June 2020
(Expressed in Hong Kong dollars)

| | Note | At 30 June 2020 Unaudited \$'000 | At 31 December 2019 Audited \$'000 |
|---|------|--|--|
| Non-current assets | | | |
| Investment properties | 8 | 445,043 | 457,300 |
| Other property, plant and equipment | 8 | 565,269 | 592,018 |
| | | 1,010,312 | 1,049,318 |
| Interest in associates | 9 | 252,773 | 231,906 |
| Deposits and prepayments | 11 | – | 2,153 |
| Deferred tax assets | | – | 175 |
| | | 1,263,085 | 1,283,552 |
| Current assets | | | |
| Inventories | 10 | 298,190 | 330,719 |
| Trade and other receivables, deposits and prepayments | 11 | 624,602 | 504,668 |
| Current tax recoverable | | 5,869 | 365 |
| Pledged deposits | 20 | 11,866 | 23,890 |
| Cash and cash equivalents | 12 | 993,074 | 903,613 |
| | | 1,933,601 | 1,763,255 |
| Current liabilities | | | |
| Trade and other payables | 13 | 534,594 | 429,090 |
| Loan from a fellow subsidiary | 14 | 54,740 | – |
| Lease liabilities | | 2,264 | 2,081 |
| Current tax payable | | 717 | 1,186 |
| | | 592,315 | 432,357 |
| Net current assets | | 1,341,286 | 1,330,898 |
| Total assets less current liabilities | | 2,604,371 | 2,614,450 |

Consolidated Statement of Financial Position (Continued)

at 30 June 2020
(Expressed in Hong Kong dollars)

| | Note | At 30 June 2020 Unaudited \$'000 | At 31 December 2019 Audited \$'000 |
|--|------|--|--|
| Non-current liabilities | | | |
| Lease liabilities | | 531 | 1,222 |
| Deferred tax liabilities | | 34,177 | 28,703 |
| | | 34,708 | 29,925 |
| NET ASSETS | | 2,569,663 | 2,584,525 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 459,651 | 459,651 |
| Reserves | | 1,966,961 | 1,978,933 |
| Total equity attributable to equity shareholders of the Company | | 2,426,612 | 2,438,584 |
| Non-controlling interests | | 143,051 | 145,941 |
| TOTAL EQUITY | | 2,569,663 | 2,584,525 |

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

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 – unaudited
(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 | Total \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
| Balance at 1 January 2020 | 459,651 | 131,171 | 2,121 | 107,440 | 69,501 | 1,668,700 | 2,438,584 | 145,941 | 2,584,525 |
| Changes in equity for the six months ended 30 June 2020: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 46,610 | 46,610 | (811) | 45,799 |
| Other comprehensive income | - | (31,354) | - | - | - | - | (31,354) | (2,079) | (33,433) |
| Total comprehensive income | - | (31,354) | - | - | - | 46,610 | 15,256 | (2,890) | 12,366 |
| Dividends approved in respect of the previous year | 15(b) | - | - | - | - | (27,228) | (27,228) | - | (27,228) |
| Balance at 30 June 2020 | 459,651 | 99,817 | 2,121 | 107,440 | 69,501 | 1,688,082 | 2,426,612 | 143,051 | 2,569,663 |

| 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 | 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 the six months ended 30 June 2019: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 32,949 | 32,949 | 1,900 | 34,849 |
| Other comprehensive income | - | (6,211) | - | - | - | - | (6,211) | (445) | (6,656) |
| Total comprehensive income | - | (6,211) | - | - | - | 32,949 | 26,738 | 1,455 | 28,193 |
| Dividends approved in respect of the previous year | 15(b) | - | - | - | - | (27,228) | (27,228) | - | (27,228) |
| Balance at 30 June 2019 | 459,651 | 160,734 | 2,121 | 107,440 | 69,501 | 1,656,512 | 2,455,959 | 149,862 | 2,605,821 |

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

| | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity |
|---|--|------------------|---------------------|-------------------------|----------------|------------------|-----------|---------------------------|--------------|
| | Share capital | Exchange reserve | Revaluation reserve | Special capital reserve | Other reserves | Retained profits | Total | | |
| Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2019 | 459,651 | 160,734 | 2,121 | 107,440 | 69,501 | 1,656,512 | 2,455,959 | 149,862 | 2,605,821 |
| Changes in equity for the six months ended 31 December 2019: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 21,264 | 21,264 | (1,946) | 19,318 |
| Other comprehensive income | - | (29,563) | - | - | - | - | (29,563) | (1,975) | (31,538) |
| Total comprehensive income | - | (29,563) | - | - | - | 21,264 | (8,299) | (3,921) | (12,220) |
| Dividends approved in respect of the current year | 15(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 |

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

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|---|-----------|--------------------------|-----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Operating activities | | | |
| Cash generated from operations | | 23,229 | 8,643 |
| Tax paid, net | | (8,445) | (2,440) |
| Net cash generated from operating activities | | 14,784 | 6,203 |
| Investing activities | | | |
| Payment for the purchase of property, plant and equipment | | (11,403) | (10,034) |
| Dividends received from associates | | 13,396 | – |
| Loans advanced to an associate | | – | (5,768) |
| Repayment of loans from an associate | | 15,969 | – |
| Decrease in pledged deposits | | 11,564 | 6,918 |
| Other cash flows arising from investing activities | | 46 | 40 |
| Net cash generated from/(used in) investing activities | | 29,572 | (8,844) |
| Financing activities | | | |
| Dividends paid to equity shareholders of the Company | | – | (27,228) |
| Loan from a fellow subsidiary | | 55,230 | – |
| Other cash flows arising from financing activities | | (1,162) | (143) |
| Net cash generated from/(used in) financing activities | | 54,068 | (27,371) |
| Net increase/(decrease) in cash and cash equivalents | | 98,424 | (30,012) |
| Cash and cash equivalents at 1 January | 12 | 903,613 | 794,130 |
| Effect of foreign exchange rates changes | | (8,963) | (672) |
| Cash and cash equivalents at 30 June | 12 | 993,074 | 763,446 |

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 21 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major products or service lines: | | |
| Sales of goods | | |
| – Tinplate products | 948,426 | 985,289 |
| – Fresh and live foodstuffs | 130,637 | 141,900 |
| | 1,079,063 | 1,127,189 |
| Commission income from the distribution of fresh and live foodstuffs | 40,867 | 38,696 |
| Revenue from other sources | | |
| Rental income from property leasing | 10,159 | 10,692 |
| | 1,130,089 | 1,176,577 |
| Disaggregated by geographical location of customers: | | |
| Hong Kong (place of domicile) | 190,161 | 217,615 |
| Mainland China | 493,726 | 549,575 |
| Asian countries (excluding Mainland China and Hong Kong) | 267,558 | 290,962 |
| Other countries | 178,644 | 118,425 |
| | 939,928 | 958,962 |
| | 1,130,089 | 1,176,577 |

The geographical analysis above includes property rental income from external customers in Hong Kong and in Mainland China for the six months ended 30 June 2020 of \$3,950,000 (30 June 2019: \$3,862,000) and \$6,209,000 (30 June 2019: \$6,830,000) respectively.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment results, assets and liabilities

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

| | Tinplating | | Fresh and live foodstuffs | | Property leasing | | Total | |
|--|----------------|----------------|---------------------------|----------------|------------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| For the six months ended 30 June | | | | | | | | |
| Reportable segment revenue | 948,426 | 985,289 | 171,504 | 180,596 | 10,159 | 10,692 | 1,130,089 | 1,176,577 |
| Reportable segment profit | 12,123 | 18,376 | 57,173 | 28,892 | 7,349 | 7,621 | 76,645 | 54,889 |
| As at 30 June/ 31 December | | | | | | | | |
| Reportable segment assets (including interest in associates) | 1,925,846 | 1,808,069 | 280,568 | 270,228 | 446,909 | 458,358 | 2,653,323 | 2,536,655 |
| Reportable segment liabilities | 528,842 | 390,368 | 24,028 | 23,236 | 37,509 | 40,401 | 590,379 | 454,005 |

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

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

| | Six months ended 30 June | |
|--|---------------------------------|-------------------------------------|
| | 2020 \$'000 | 2019 \$'000 |
| Profit | | |
| Reportable segment profit derived from the Group's external customers and associates | 76,645 | 54,889 |
| Unallocated income and expenses | (5,616) | (5,100) |
| Valuation losses on investment properties | (9,341) | – |
| Finance costs | (1,416) | (5) |
| Share of loss of an associate not attributable to any segment | (5,077) | (13,678) |
| Consolidated profit before taxation | 55,195 | 36,106 |
| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
| Assets | | |
| Reportable segment assets | 2,653,323 | 2,536,655 |
| Interest in an associate not attributable to any segment | 124,069 | 131,626 |
| Unallocated assets | 419,294 | 378,526 |
| Consolidated total assets | 3,196,686 | 3,046,807 |
| Liabilities | | |
| Reportable segment liabilities | 590,379 | 454,005 |
| Unallocated liabilities | 36,644 | 8,277 |
| Consolidated total liabilities | 627,023 | 462,282 |

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE AND NET LOSSES

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Other revenue | | |
| Interest income on financial assets measured at amortised cost | 10,904 | 8,289 |
| Subsidies received | 457 | 226 |
| Others | 1,406 | 1,331 |
| | 12,767 | 9,846 |
| Other net losses | | |
| Net realised and unrealised exchange gain/(loss) | 1,467 | (3,144) |
| Net (losses)/gains on forward foreign exchange contracts | (2,893) | 972 |
| Others | 14 | (161) |
| | (1,412) | (2,333) |

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| (a) Finance costs | | |
| Interest on bank loan | 1,124 | – |
| Interest on loan from a fellow subsidiary | 160 | – |
| Interest on lease liabilities | 59 | 5 |
| Other interest expense | 73 | – |
| | 1,416 | 5 |
| (b) Staff costs | | |
| Net contributions to defined contribution retirement plans | 4,037 | 7,472 |
| Salaries, wages and other benefits | 86,227 | 85,861 |
| | 90,264 | 93,333 |
| (c) Other items | | |
| Depreciation charge | | |
| – Owned property, plant and equipment | 27,094 | 25,607 |
| – Right-of-use assets | 2,767 | 2,001 |
| Rentals receivable from investment properties less direct outgoings of \$592,000 (30 June 2019: \$474,000) | (9,567) | (10,218) |

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

| | Note | Six months ended 30 June | |
|---|------|--------------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Current tax – Hong Kong | | | |
| Provision for the period | | 2,156 | 3,459 |
| Current tax – the People’s Republic of China (the “PRC”) | | | |
| Provision for the period | | 346 | 497 |
| Over-provision in respect of prior years | | – | (5,962) |
| | | 346 | (5,465) |
| Deferred tax | | | |
| Origination and reversal of temporary differences | | 6,894 | 3,263 |
| | (i) | 9,396 | 1,257 |

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2019: 16.5%) to the six months ended 30 June 2020.

Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.

- (ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit attributable to ordinary equity shareholders of the Company of \$46,610,000 (30 June 2019: \$32,949,000) and 907,593,000 (30 June 2019: 907,593,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

There were no potential dilutive shares in existence during the six months ended 30 June 2020 and 2019.

8 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and transfers of owned assets

During the six months ended 30 June 2020, the Group had additions to property, plant and equipment with a cost of \$13,432,000 (30 June 2019: \$17,177,000). Also, the Group did not transfer any construction in progress to other property, plant and equipment during the six months ended 30 June 2020 (30 June 2019: \$47,639,000).

(b) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2020 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") (31 December 2019: JLL and Guangdong Zhixin Land Real Estate Appraisal Co., Ltd.), using same valuation techniques as were used by these valuers when carrying out the December 2019 valuations. As a result of the update, valuation losses of \$9,341,000 (30 June 2019: \$Nil) have been recognised in profit or loss for the period.

9 INTEREST IN ASSOCIATES

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 Food Industry Co., Ltd., an associate of the Group. As at 30 June 2020, the public tender is still in process.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INVENTORIES

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|--|---------------------------------|-------------------------------------|
| Raw materials, spare parts and consumables | 155,014 | 181,830 |
| Work in progress | 29,468 | 46,438 |
| Finished goods | 113,708 | 102,451 |
| | 298,190 | 330,719 |

Based on management's assessment of the net realisable value of inventories, there was a write-down of inventories to estimated net realisable value by approximately \$1,215,000 during the period (30 June 2019: \$1,613,000).

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|---|---------------------------------|-------------------------------------|
| Trade debtors | 283,647 | 225,866 |
| Bills receivable | 91,445 | 154,554 |
| Other receivables, deposits and prepayments | 228,576 | 91,278 |
| Amounts due from a related company (note (i)) | 20,060 | 3,551 |
| Amounts due from associates (note (ii)) | 874 | 14,727 |
| Loans to an associate (note (iii)) | – | 15,969 |
| Derivative financial instruments (note 16) | – | 876 |
| | 624,602 | 506,821 |
| Less: Deposits and prepayments (non-current portion) (note (iv)) | – | (2,153) |
| Trade and other receivables, deposits and prepayments (current portion) | 624,602 | 504,668 |

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

- (i) The amounts represent trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) As at 30 June 2020 and 31 December 2019, 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, the loans to an associate were unsecured, interest-bearing at 5.0% per annum and repayable within one year. During the six months ended 30 June 2020, the loans were fully repaid by the associate.
- (iv) As at 31 December 2019, the deposits and prepayments (non-current portion) represented deposits mainly for acquisition of equipment in relation to other property, plant and equipment.

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

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|----------------|---------------------------------|-------------------------------------|
| Within 1 month | 392,443 | 368,651 |
| 1 to 3 months | 2,032 | 14,506 |
| Over 3 months | 677 | 814 |
| | 395,152 | 383,971 |

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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 CASH AND CASH EQUIVALENTS

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|--|---------------------------------|-------------------------------------|
| Deposits with banks | 804,209 | 695,776 |
| Cash at bank and in hand | 188,865 | 207,837 |
| Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement | 993,074 | 903,613 |

13 TRADE AND OTHER PAYABLES

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|--|---------------------------------|-------------------------------------|
| Trade creditors | 86,552 | 45,928 |
| Bills payable | 250,686 | 214,821 |
| Other payables and accrued charges | 105,060 | 83,448 |
| Contract liabilities | 23,557 | 20,280 |
| Amount due to a related company (note (i)) | 51,844 | 62,485 |
| Amount due to an associate (note (ii)) | 445 | 825 |
| Amount due to immediate holding company (note (iii)) | 16,116 | – |
| Amounts due to fellow subsidiaries (note (iv)) | 63 | 1,303 |
| Derivative financial instruments (note 16) | 271 | – |
| | 534,594 | 429,090 |

Notes:

- (i) The amount represents trade balance 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) As at 30 June 2020, the amount represents dividend payable to immediate holding company.
- (iv) The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.
- (v) 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 \$721,000 (31 December 2019: \$2,309,000), which is expected to be settled or recognised as income after more than one year.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 TRADE AND OTHER PAYABLES (Continued)

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

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|---------------------------------------|---------------------------------|-------------------------------------|
| Due within 1 month or on demand | 217,458 | 141,946 |
| Due after 1 month but within 3 months | 102,451 | 123,050 |
| Due after 3 months but within 1 year | 69,618 | 59,063 |
| | 389,527 | 324,059 |

14 LOAN FROM A FELLOW SUBSIDIARY

As at 30 June 2020, the loan from a fellow subsidiary was unsecured, interest-bearing at 4.35% per annum and repayable within one year.

15 DIVIDENDS

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2019: 1.0 cent) per ordinary share | 9,076 | 9,076 |

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 DIVIDENDS (Continued)

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Final dividend in respect of the previous financial year, approved during the following interim period, of 3.0 cents (30 June 2019: 3.0 cents) per ordinary share | 27,228 | 27,228 |

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Fair value hierarchy

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy (Continued)

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

| | Fair value at 30 June 2020 \$'000 | Fair value measurements as at 30 June 2020 categorised into | | |
|---|--|--|-------------------|-------------------|
| | | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| Recurring fair value measurements: | | | | |
| Liability: | | | | |
| Forward foreign exchange contracts (note 13) | 271 | – | 271 | – |

| | 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 11) | 876 | – | 876 | – |

During the six months ended 30 June 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between the levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 RETIREMENT BENEFITS SCHEMES

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

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

The Group's pension cost charged to the consolidated income statement for the six months ended 30 June 2020 was \$4,037,000 (30 June 2019: \$7,472,000).

18 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report were as follows:

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|-----------------------------------|---------------------------------|-------------------------------------|
| Contracted for | 44,316 | 11,282 |
| Authorised but not contracted for | 8,278 | 23,014 |
| | 52,594 | 34,296 |

(b) At 30 June 2020, the Group had committed to provide additional capital of \$6,489,000 (31 December 2019: \$6,489,000) to an associate of the Group.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

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

| | Note | Six months ended 30 June | |
|--|-----------|--------------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Sales of goods to related companies | (i) | 164,985 | 156,253 |
| Commission paid/payable to a related company | (i), (ii) | 544 | 581 |
| Commission received/receivable from associates | (iii) | 11,737 | 7,738 |
| Interest income received/receivable from an associate | (iv) | 207 | 273 |
| Interest expense paid/payable to a fellow subsidiary | (v) | 160 | – |
| Purchases of goods from associates | (vi) | 8,634 | 4,534 |
| Purchases of goods from related companies including transport services fee paid/payable | (i) | 134,286 | 132,565 |
| Purchases of electricity from a fellow subsidiary | (vii) | 17,019 | 13,572 |

Notes:

- (i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd. and its subsidiaries.
- (ii) This represents commission in respect of export distribution services provided by a related company.
- (iii) This represents commission earned for services rendered to associates in respect of distribution of fresh and live foodstuffs.
- (iv) This represents interest income from loans to an associate.
- (v) This represents interest expense on loan from a fellow subsidiary.
- (vi) This represents purchases of goods from associates in respect of trading of fresh and live foodstuffs.
- (vii) This represents purchases of electricity from a fellow subsidiary in respect of production of tinplates and related products.
- (viii) Balances with related parties at 30 June/31 December and their settlement terms are disclosed elsewhere in the interim financial report.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

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

(c) Key management personnel remuneration

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

| | Six months ended 30 June | |
|------------------------------|--------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Short-term employee benefits | 1,184 | 1,265 |
| Post-employment benefits | 186 | 249 |
| | 1,370 | 1,514 |

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 PLEDGED DEPOSITS

As at 30 June 2020, deposits at banks of \$11,866,000 (31 December 2019: \$23,890,000) were pledged as securities for bills payable and letters of credit.

21 SUBSEQUENT EVENTS

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 15(a).

Supplementary Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Interests and short positions in the Company

Interests in ordinary shares

| Name of Director | Capacity/nature of interests | Number of ordinary shares held | Long/short position | Approximate percentage of interests held |
|-------------------------|-------------------------------------|---------------------------------------|----------------------------|---|
| | | | | (Note) |
| Li Kar Keung, Caspar | Personal | 100,000 | Long position | 0.011% |

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 30 June 2020.

Supplementary Information (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

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

Interests in ordinary shares

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

| | | | | |
|---|----------|---------|---------------|--------|
| Liang Jianqin (resigned on 30 June 2020) | Personal | 100,000 | Long position | 0.002% |
|---|----------|---------|---------------|--------|

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of GDI in issue as at 30 June 2020.

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

Interests in ordinary shares

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

| | | | | |
|---|----------|--------|---------------|--------|
| Liang Jianqin (resigned on 30 June 2020) | 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 Guangdong Land in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Supplementary Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, so far as is known to any Directors and chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had, or were taken or deemed to have interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO:

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

Notes:

1. The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 30 June 2020.
2. The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.

Save as disclosed above, as at 30 June 2020, the Company has not been notified by any persons (other than Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

Supplementary Information (Continued)

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Change in Director's Information

Mr. Chen Benguang was appointed as the chairman of GDH Guangnan Hong Company Limited and Zhongyue Industry Material Limited in April 2020 and July 2020 respectively. He was also appointed as the director of Gain First Investments Limited in August 2020.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2020. In addition, the Company's external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend for 2020 of HK1.0 cent per share (2019: HK1.0 cent per share). The interim dividend will be paid on Friday, 23 October 2020 to the shareholders whose names appear on the register of members of the Company on Wednesday, 7 October 2020.

Closure of Register of Members

The register of members of the Company will be closed on Tuesday, 6 October 2020 and Wednesday, 7 October 2020. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 5 October 2020.

By order of the Board
Chen Benguang
Chairman

Hong Kong, 21 August 2020



粵海廣南(集團)有限公司
GDH GUANGNAN (HOLDINGS) LIMITED