GDH

GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

Unaudited financial highlights for the six months ended 30 June

	2019	2018	
	HK$'000	HK$'000	Change
Revenue	**1,176,577**	1,442,589	-18.4%
Profit from operations	**53,088**	18,348	189.3%
Profit attributable to shareholders	**32,949**	73,689	-55.3%
Basic earnings per share	**HK 3.6 cents**	HK 8.1 cents	-55.6%
Interim dividend per share	**HK 1.0 cent**	HK 1.0 cent	0.0%

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS, PROSPECTS AND OTHER INFORMATION

RESULTS

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

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for 2019 of HK1.0 cent per share (2018: HK1.0 cent per share).

BUSINESS REVIEW

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

In respect of our tinplating business, the industry remained stable but weak and excess capacity has not been fundamentally changed. The demand from some downstream business in European and Middle East regions as well as Mainland China decreased as affected by economic conditions. Sales volume of tinplate products in the first half of 2019 decreased by 34,806 tonnes, representing a decrease of 21.4% as compared to that for the corresponding period last year. Selling price of tinplate products remained stable during the period. The revenue was HK$985,289,000, a decrease of HK$249,687,000 or 20.2% as compared to that for the corresponding period last year. The segment profit was HK$18,376,000, an increase in segment profit of HK$40,423,000 from the segment loss of HK$22,047,000 for the corresponding period last year.

As to the fresh and live foodstuffs business, avian flu still had an impact on the distribution and sales of live poultry business in the first half of 2019, and therefore no live poultry were imported into Hong Kong by the Group for the period. For the live pigs business, the sales volume and price of live pigs were comparatively stable in the first four months of 2019. However, the supply of live pigs from Mainland China decreased after the two incidents of African swine fever occurred in Sheung Shui slaughterhouse in Hong Kong in May 2019, resulting in the decrease in revenue of self-operated live pigs business. The price of live pigs significantly increased as a result of the decreased supply. The sales volume of fresh pork retail business decreased, while profits decreased due to the increase in costs. The revenue was HK$180,596,000, a decrease of HK$16,276,000 or 8.3% as compared to that for the corresponding period last year. The segment profit was HK$28,892,000, a decrease of HK$2,582,000 or 8.2% as compared to that for the corresponding period last year. The Group's overall market share in the live pigs supply into Hong Kong was about 48% in the first half of 2019.

BUSINESS REVIEW (Continued)

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

For the associates, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") recorded a loss of HK$34,196,000 for the first half of 2019 mainly due to the decreased government grants income. In addition, the pig farming business environment is relatively volatile even though the price of pigs has rebounded in the first half of 2019. Losses were incurred by the two associates which are engaged in pig farming and sales of pigs. The Group's share of losses from these two associates for the period was a total of HK$3,299,000.

Tinplating

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

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

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

Fresh and Live Foodstuffs

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

In the first half of 2019, the revenue of the fresh and live foodstuffs business amounted to HK$180,596,000, representing a decrease of HK$16,276,000 or 8.3% as compared to that for the corresponding period last year. Together with the share of losses of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK$3,299,000 (30 June 2018: HK$5,164,000), the segment profit was HK$28,892,000, representing a decrease of HK$2,582,000 or 8.2% as compared to that for the corresponding period last year. Avian flu still had an impact on the distribution and sales of live poultry business in the first half of 2019, and therefore no live poultry were imported into Hong Kong by the Group for the period. For the live pigs business, the sales volume and price of live pigs were comparatively stable in the first four months of 2019. However, the supply of live pigs from Mainland China decreased after the two incidents of African swine fever occurred in Sheung Shui slaughterhouse in Hong Kong in May 2019, resulting in the decrease in revenue of self-operated live pigs business. The price of live pigs significantly increased as a result of the decreased supply. The sales volume of fresh pork retail business decreased, while profits decreased due to the increase in costs. In addition, the pig farming business environment is relatively volatile even though the price of pigs has rebounded in the first half of 2019. Losses were incurred by the two associates which are engaged in pig farming and sales of pigs.

Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, enhanced service standards and actively maintained the market supply, the overall market share in the live pigs supply into Hong Kong was about 48%. This provided a certain contribution to the earnings of the Group.

Property Leasing

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

In the first half of 2019, the property occupancy rate for the property leasing business of the Group was 91.3%, representing a decrease of 3.7 percentage points as compared to that for the corresponding period last year. Revenue was HK$10,692,000, a decrease of 0.5% as compared to that for the corresponding period last year. The segment profit amounted to HK$7,621,000, a decrease of 2.7% as compared to that for the corresponding period last year. In addition, the value of investment properties held by the Group remained stable such that no valuation gains on investment properties were recorded for the current period as compared to valuation gains of HK$61,224,000 recorded in the corresponding period last year.

Yellow Dragon

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

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

FINANCIAL POSITION

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

Liquidity and Financial Resources

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

As at 30 June 2019, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less pledged deposits and cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -32.0% (31 December 2018: -33.6%).

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

Capital Expenditure and Capital Commitments

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

Acquisitions and Disposals of Investments

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

Pledge of Assets

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

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

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

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2019, forward foreign exchange contracts of USD17,500,000 (equivalent to HK$136,500,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2018, forward foreign exchange contracts of USD6,000,000 (equivalent to HK$46,800,000) against Renminbi were held by the Group.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 1,083 full-time employees, a decrease of 26 from 1,109 at the end of 2018. 198 employees were based in Hong Kong and 885 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2019, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

PROSPECTS

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

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2019, which have been reviewed by the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2019 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2019	*2018*
			(Note)
	Note	**$'000**	$'000
Revenue	3	**1,176,577**	1,442,589
Cost of sales		**(1,047,147)**	(1,339,010)
Gross profit		**129,430**	103,579
Other revenue	4	**9,846**	7,890
Other net losses	5	**(2,333)**	(4,213)
Selling and distribution costs		**(29,462)**	(37,326)
Administrative expenses		**(54,393)**	(51,432)
Other operating expenses		**-**	(150)
Profit from operations		**53,088**	18,348
Valuation gains on investment properties	10(c)	**-**	61,224
Finance costs	6(a)	**(5)**	(12)
Share of losses of associates		**(16,977)**	(11,715)
Profit before taxation	6	**36,106**	67,845
Income tax	7	**(1,257)**	2,151
Profit for the period		**34,849**	69,996
Attributable to:			
Equity shareholders of the Company		**32,949**	73,689
Non-controlling interests		**1,900**	(3,693)
Profit for the period		**34,849**	69,996
Interim dividend	8(a)	**9,076**	9,076
Earnings per share			
Basic	9(a)	**3.6 cents**	8.1 cents
Diluted	9(b)	**3.6 cents**	8.1 cents

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

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	*2018*
		(Note)
	$'000	$'000
Profit for the period	**34,849**	69,996
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	**(6,126)**	(12,981)
– associates outside Hong Kong	**(690)**	(2,157)
– tax benefit related to a subsidiary outside Hong Kong	**160**	352
Net-of-tax amount	**(6,656)**	(14,786)
Total comprehensive income for the period	**28,193**	55,210
Attributable to:		
Equity shareholders of the Company	**26,738**	59,780
Non-controlling interests	**1,455**	(4,570)
Total comprehensive income for the period	**28,193**	55,210

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

Consolidated Statement of Financial Position

At 30 June 2019

(Expressed in Hong Kong dollars)

	Note	***At 30 June 2019*** **Unaudited** **$'000**	*At 31 December 2018* Audited (Note) $'000
Non-current assets			
Investment properties	10	**460,094**	460,706
Other property, plant and equipment	10	**610,394**	622,701
		1,070,488	1,083,407
Interest in associates		**235,554**	253,221
Deposits and prepayments		**2,219**	3,612
Deferred tax assets		**76**	-
		1,308,337	1,340,240
Current assets			
Inventories	11	**345,853**	298,473
Trade and other receivables, deposits and prepayments	12	**565,797**	494,453
Current tax recoverable		**3,302**	850
Pledged deposits		**23,616**	30,655
Cash and cash equivalents	13	**763,446**	794,130
		1,702,014	1,618,561
Current liabilities			
Trade and other payables	14	**377,966**	328,617
Lease liabilities		**186**	-
Current tax payable		**3,683**	5,621
		381,835	334,238
Net current assets		**1,320,179**	1,284,323
Total assets less current liabilities		**2,628,516**	2,624,563
Non-current liabilities			
Deferred tax liabilities		**22,695**	19,707
Net assets		**2,605,821**	2,604,856
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**1,996,308**	1,996,798
Total equity attributable to equity shareholders of the Company		**2,455,959**	2,456,449
Non-controlling interests		**149,862**	148,407
Total equity		**2,605,821**	2,604,856

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

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2019 but are extracted from the interim financial report.

The 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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The financial information relating to the financial year ended 31 December 2018 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Changes in accounting policies

The HKICPA has issued a new Hong Kong Financial Reporting Standard ("HKFRS"), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases* which is relevant to the Group's financial statements, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

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

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

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

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

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2. Changes in accounting policies (Continued)

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

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

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

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

3. Revenue and segment reporting

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

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

3. Revenue and segment reporting (Continued)

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	*2018*
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
– Tinplate products	**985,289**	1,234,976
– Fresh and live foodstuffs	**141,900**	159,679
	1,127,189	1,394,655
Commission income from the distribution of fresh and live foodstuffs	**38,696**	37,193
Revenue from other sources		
Rental income from property leasing	**10,692**	10,741
	1,176,577	1,442,589
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	**217,615**	243,755
Mainland China	**549,575**	517,580
Asian countries (excluding Mainland China and Hong Kong)	**290,962**	359,837
Other countries	**118,425**	321,417
	958,962	1,198,834
	1,176,577	1,442,589

The geographical analysis above includes property rental income from external customers in Hong Kong and in Mainland China for the six months ended 30 June 2019 of $3,862,000 (30 June 2018: $3,337,000) and $6,830,000 (30 June 2018: $7,404,000) respectively.

3. Revenue and segment reporting (Continued)

(b) Segment results, assets and liabilities

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

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

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

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

	Six months ended 30 June	
	2019	*2018* (Note)
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**54,889**	17,257
Unallocated income and expenses	**(5,100)**	(4,073)
Valuation gains on investment properties	**-**	61,224
Finance costs	**(5)**	(12)
Share of loss of an associate not attributable to any segment	**(13,678)**	(6,551)
Consolidated profit before taxation	**36,106**	67,845

3. Revenue and segment reporting (Continued)

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

	At 30 June 2019	*At 31 December 2018* (Note)
	$'000	$'000
Assets		
Reportable segment assets	**2,458,239**	2,419,113
Interest in an associate not attributable to any segment	**155,878**	170,009
Unallocated assets	**396,234**	369,679
Consolidated total assets	**3,010,351**	2,958,801
Liabilities		
Reportable segment liabilities	**392,558**	344,384
Unallocated liabilities	**11,972**	9,561
Consolidated total liabilities	**404,530**	353,945

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

4. Other revenue

	Six months ended 30 June 2019	*2018*
	$'000	$'000
Interest income on financial assets measured at amortised cost	**8,289**	6,809
Subsidies received	**226**	342
Others	**1,331**	739
	9,846	7,890

5. Other net losses

	Six months ended 30 June 2019	*2018*
	$'000	$'000
Net realised and unrealised exchange (loss)/gain	**(3,144)**	2,110
Net gains/(losses) on forward foreign exchange contracts	**972**	(6,295)
Others	**(161)**	(28)
	(2,333)	(4,213)

6. Profit before taxation

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

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

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

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	*Six months ended 30 June* **2019** **$'000**	*2018* $'000
Current tax – Hong Kong			
Provision for the period		**3,459**	4,469
Current tax – the People's Republic of China (the "PRC")			
Provision for the period		**497**	622
Over-provision in respect of prior years		**(5,962)**	(4,906)
		(5,465)	(4,284)
Deferred tax			
Origination and reversal of temporary differences		**3,263**	(2,336)
	(i)	**1,257**	(2,151)

Notes:

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

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

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

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

8. Dividends

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

	Six months ended 30 June	
	2019	*2018*
	$'000	$'000
Interim dividend declared and payable/paid after the int erim period of 1.0 cent (30 June 2018: 1.0 cent) per ordinary share	**9,076**	9,076

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

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

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

9. Earnings per share

(a) ***Basic earnings per share***

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

(b) ***Diluted earnings per share***

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

10. Investment properties and other property, plant and equipment

(a) Right-of-use assets

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

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

(b) Acquisitions and transfers of owned assets

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

(c) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2019 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") (31 December 2018: JLL) and Guangdong Zhixin Land Real Estate Appraisal Co., Ltd. (31 December 2018: Vigers Appraisal and Consulting Limited), using same valuation techniques as were used by these valuers when carrying out the December 2018 valuations. As a result of the update, no valuation gains (30 June 2018: $61,224,000) have been recognised in profit or loss for the period.

11. Inventories

	At	*At*
	30 June	*31 December*
	2019	*2018*
	$'000	$'000
Raw materials, spare parts and consumables	**166,426**	161,737
Work in progress	**59,996**	42,323
Finished goods	**119,431**	94,413
	345,853	298,473

12. Trade and other receivables, deposits and prepayments

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

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

13. Cash and cash equivalents

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

14. Trade and other payables

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

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2019.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Interim Dividend

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

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 3 October 2019 and Friday, 4 October 2019. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 2 October 2019.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2019. In addition, the Company's external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

By order of the Board
Tan Yunbiao
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the Board is composed of three executive directors, namely Messrs. Tan Yunbiao, He Jinzhou and Lau Kin Man; one non-executive director, namely Ms. Liang Jianqin; and three independent non-executive directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.