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GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial highlights for the year ended 31 December			
	2018	2017	
	HK\$'000	HK\$'000	Change
Revenue	<u>2,845,356</u>	<u>2,186,010</u>	30.2%
Profit from operations	<u>74,825</u>	<u>5,522</u>	1255.0%
Profit attributable to shareholders	<u>118,377</u>	<u>65,797</u>	79.9%
Earnings per share – Basic	<u>HK 13.0 cents</u>	<u>HK 7.2 cents</u>	80.6%
Dividend per share			
Interim	HK 1.0 cent	HK 1.0 cent	
Proposed final	HK 3.0 cents	HK 3.0 cents	
	<u>HK 4.0 cents</u>	<u>HK 4.0 cents</u>	0.0%

CHAIRMAN'S STATEMENT

I hereby report to the shareholders that Guangan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK\$118,377,000 in 2018, representing an increase of 79.9% compared with HK\$65,797,000 in 2017. The basic earnings per share was HK 13.0 cents, representing an increase of 80.6% from HK 7.2 cents in 2017.

Dividend

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK 3.0 cents per share for the year 2018. The abovementioned final dividend for 2018, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 26 June 2019.

Business Review

In 2018, the Group's consolidated revenue was HK\$2,845,356,000, representing an increase of HK\$659,346,000 or 30.2% from HK\$2,186,010,000 in 2017. Profit from operations was HK\$74,825,000, representing an increase of HK\$69,303,000 or 1255.0% from HK\$5,522,000 in 2017.

In respect of our tinplating business, the industry remained stable but weak and excess capacity has not been fundamentally changed. However, the demand from some downstream business increased, while sales volume of tinplate products in 2018 increased by 58,587 tonnes, representing an increase of 22.2% as compared to that in 2017. Selling price of tinplate products increased as compared to that in 2017 due to the increase in prices of raw materials of tinplates. The revenue was HK\$2,417,520,000, an increase of HK\$636,235,000 or 35.7% as compared to that in 2017. The segment profit was HK\$2,474,000, an increase of HK\$88,808,000 from the segment loss of HK\$86,334,000 in 2017.

As to the fresh and live foodstuffs business, avian flu still had an impact on the distribution and sales of live poultry business in 2018, and therefore no live poultry were imported into Hong Kong by the Group throughout the year. For the live pigs business, the outbreak of African swine fever in some areas of Mainland China since August 2018 only had a slight impact on the number of live pigs supply into Hong Kong of the Group. The Group's overall market share in the live pigs supply into Hong Kong was maintained at about 46%. With the increased supply of live pigs from Mainland China compared to that in 2017, the price of live pigs and the commission revenue from the distribution of livestock business decreased accordingly, resulting in a decrease in the segment profit of the fresh and live foodstuffs business of HK\$20,452,000 compared to that in 2017.

In respect of the property leasing business, the rental income in 2018 increased by HK\$1,150,000 compared to that in 2017, and the segment profit increased by HK\$1,583,000 compared to that in 2017. During the year, the value of the investment properties held by the Group increased and valuation gains on investment properties of HK\$65,247,000 (2017: HK\$20,271,000) were recorded.

For the associates, Yellow Dragon Food Industry Co., Ltd. recorded a loss of HK\$34,553,000 in 2018 as a result of the increased purchase cost of raw materials and decreased government grants income. In addition, the pullback in the price of live pigs in 2018 led to overall losses incurred by the two associates which are engaged in pig farming and sales of pigs. The Group's share of loss less gain from these two associates for the year was a total of HK\$3,615,000.

Prospects

Although the current global economy has shown signs of recovery, the momentum for economic turnaround remains weak. The slowing down of growth of global trade and the trend of de-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 strengthened 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.

Tan Yunbiao

Chairman

Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tinplating

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

The revenue of the tinplating business accounted for 85.0% of the Group’s revenue. In 2018, with the increased demand from some downstream business, the Group produced 320,366 tonnes of tinplate products, representing an increase of 24.2% as compared to that in 2017. Among which, Zhongyue Tinplate and Zhongyue Posco produced 204,257 tonnes and 116,109 tonnes respectively, an increase of 19.3% and 33.6% respectively as compared to that in 2017. In addition, the Group sold 322,470 tonnes of tinplate products, an increase of 22.2% as compared to that in 2017, of which, Zhongyue Tinplate and Zhongyue Posco sold 205,827 tonnes and 116,643 tonnes respectively, an increase of 16.4% and 34.1% respectively as compared to that in 2017. The revenue was HK\$2,417,520,000, an increase of HK\$636,235,000 or 35.7% as compared to that in 2017. The segment profit was HK\$2,474,000, an increase of HK\$88,808,000 from the segment loss of HK\$86,334,000 in 2017.

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

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 2018, the revenue of the fresh and live foodstuffs business amounted to HK\$405,982,000, representing an increase of HK\$21,961,000 or 5.7% as compared to that in 2017. Together with the share of loss less gain of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$3,615,000 (2017: share of profits of HK\$9,305,000), the segment profit was HK\$75,384,000, representing a decrease of HK\$20,452,000 or 21.3% as compared to that in 2017. Avian flu still had an impact on the distribution and sales of live poultry business in 2018, and therefore no live poultry were imported into Hong Kong by the Group throughout the year. For the live pigs business, the outbreak of African swine fever in some areas of Mainland China since August 2018 only had a slight impact on the number of live pigs supply into Hong Kong of the Group. The decrease in the price of live pigs for the year compared to that in 2017 resulted in a decrease in the commission revenue from the distribution of livestock business and overall losses incurred by the two associates, which are engaged in pig farming and sales of pigs.

Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, the service standards of the Group were enhanced as a result. The Group also actively maintained the market supply. The overall market share in the live pigs supply into Hong Kong was about 46%. This provided a certain contribution to the earnings of the Group.

Property Leasing

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

In 2018, the property occupancy rate for the property leasing business of the Group was 95.3%, representing an increase of 2.0 percentage points as compared to that in 2017. Revenue was HK\$21,854,000, an increase of 5.6% as compared to that in 2017. The segment profit amounted to HK\$16,015,000, an increase of 11.0% as compared to that in 2017. In addition, the property market in Hong Kong continues to improve and the value of investment properties in Hong Kong held by the Group increased with valuation gains on investment properties of HK\$65,247,000 (2017: HK\$20,271,000) recorded for the year.

Yellow Dragon

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

In 2018, Yellow Dragon recorded a sales volume of 402,657 tonnes of corn starch, its major product, representing an increase of 4.4% as compared to that in 2017. Product selling prices increased during the year. Revenue amounted to HK\$1,719,225,000, an increase of 22.1% as compared to that in 2017. Due to the increase in purchase cost of raw materials and significant decrease in government grants income, Yellow Dragon recorded a loss of HK\$34,553,000. As the Company holds a 40% interest in Yellow Dragon, the Group’s share of loss was HK\$13,821,000 (2017: share of profit of HK\$13,854,000).

FINANCIAL POSITION

As at 31 December 2018, the Group's total assets and total liabilities amounted to HK\$2,958,801,000 and HK\$353,945,000, representing a decrease of HK\$44,910,000 and HK\$39,393,000 respectively when compared with the positions at the end of 2017. Net current assets increased from HK\$1,258,040,000 at the end of 2017 to HK\$1,284,323,000 at the end of 2018. The current ratio (current assets divided by current liabilities) increased from 4.4 at the end of 2017 to 4.8 at the end of 2018.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 31 December 2018 was HK\$794,130,000, representing a decrease of 3.4% when compared with the position at the end of 2017, of which 37.5% was denominated in Renminbi, 29.8% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income increased from HK\$10,241,000 in 2017 to HK\$13,736,000 in 2018.

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

As at 31 December 2018, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less pledged deposits and cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -33.6% (31 December 2017: -32.8%).

As at 31 December 2018, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$342,470,000, of which HK\$146,397,000 was utilised and HK\$196,073,000 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 2018 amounted to HK\$43,500,000 (2017: HK\$17,512,000). Capital commitments outstanding at 31 December 2018 not provided for in the financial statements amounted to HK\$26,428,000 (31 December 2017: HK\$70,194,000), mainly for the construction of a new production line of Zhongyue Tinplate. It is expected that the capital expenditure for 2019 will be approximately HK\$50,000,000.

Acquisitions and Disposals of Investments

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

Pledge of Assets

As at 31 December 2017, the Group's interest in Guangdong Baojin was pledged to the major shareholder of Guangdong Baojin as a security for a loan and the related interest due to this shareholder by Guangdong Baojin, and the guarantee amounted to HK\$7,636,000. The pledge was expired during the year ended 31 December 2018. In addition, as at 31 December 2018, deposits at bank of HK\$30,655,000 (31 December 2017: HK\$22,118,000) were pledged as securities for bills payable. Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

The Group's operations are mainly conducted in Mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily through purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollars against Renminbi. In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates 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 31 December 2018, forward foreign exchange contracts of USD6,000,000 (equivalent to HK\$46,800,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2017, no forward foreign exchange contract was held by the Group.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents and loan 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 31 December 2018, the Group had a total of 1,109 full-time employees, a decrease of 20 from 1,129 at the end of 2017. 209 employees were based in Hong Kong and 900 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2018, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2018

The Board announces the consolidated results of the Group for the year ended 31 December 2018, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Revenue	3	2,845,356	2,186,010
Cost of sales		(2,615,769)	(2,033,834)
Gross profit		229,587	152,176
Other revenue	4	18,086	18,070
Other net losses	5	(2,724)	(16,287)
Selling and distribution costs		(71,936)	(58,017)
Administrative expenses		(98,035)	(89,948)
Other operating expenses		(153)	(472)
Profit from operations		74,825	5,522
Valuation gains on investment properties	10	65,247	20,271
Finance costs	6(a)	(12)	(1,016)
Share of profits less losses of associates		(17,436)	23,159
Profit before taxation	6	122,624	47,936
Income tax	7	(7,102)	7,864
Profit for the year		115,522	55,800
Attributable to:			
Equity shareholders of the Company		118,377	65,797
Non-controlling interests		(2,855)	(9,997)
Profit for the year		115,522	55,800
Dividends payable to equity shareholders of the Company attributable to the year:			
	8(a)		
Interim dividend declared and paid during the year		9,076	9,076
Final dividend proposed after the end of the reporting period		27,228	27,228
		36,304	36,304
Earnings per share			
Basic	9(a)	13.0 cents	7.2 cents
Diluted	9(b)	13.0 cents	7.2 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018	2017
	\$'000	\$'000
Profit for the year	115,522	55,800
Other comprehensive income for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(71,863)	104,188
- associates outside Hong Kong	(13,800)	20,074
- tax benefit/(expense) related to a subsidiary outside Hong Kong	1,908	(2,705)
Net-of-tax amount	(83,755)	121,557
Total comprehensive income for the year	31,767	177,357
Attributable to:		
Equity shareholders of the Company	39,904	179,189
Non-controlling interests	(8,137)	(1,832)
Total comprehensive income for the year	31,767	177,357

Consolidated Statement of Financial Position

At 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Investment properties	10	460,706	416,507
Other property, plant and equipment		526,770	564,350
Interests in leasehold land held for own use under operating leases		95,931	104,129
		<u>1,083,407</u>	1,084,986
Interest in associates		253,221	286,261
Deposits and prepayments		3,612	2,122
Deferred tax assets		-	219
		<u>1,340,240</u>	<u>1,373,588</u>
Current assets			
Inventories	11	298,473	274,453
Trade and other receivables, deposits and prepayments	12	494,453	510,497
Current tax recoverable		850	1,272
Pledged deposits		30,655	22,118
Cash and cash equivalents	13	794,130	821,783
		<u>1,618,561</u>	<u>1,630,123</u>
Current liabilities			
Trade and other payables	14	328,617	320,977
Loans from a related company	15	-	39,000
Current tax payable		5,621	12,106
		<u>334,238</u>	<u>372,083</u>
Net current assets		<u>1,284,323</u>	<u>1,258,040</u>
Total assets less current liabilities		<u>2,624,563</u>	<u>2,631,628</u>
Non-current liabilities			
Deferred tax liabilities		19,707	21,255
Net assets		<u>2,604,856</u>	<u>2,610,373</u>
Capital and reserves			
Share capital		459,651	459,651
Reserves		1,996,798	1,993,198
Total equity attributable to equity shareholders of the Company		<u>2,456,449</u>	<u>2,452,849</u>
Non-controlling interests		<u>148,407</u>	<u>157,524</u>
Total equity		<u>2,604,856</u>	<u>2,610,373</u>

Notes to the consolidated financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Basis of preparation

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

This financial information has been prepared on a basis consistent with the accounting policies and methods adopted in the 2017 annual financial statements, except for the accounting policy changes that are reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on those financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; 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 number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* are relevant to the Group's financial statements.

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

HKFRS 9, *Financial instruments*

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

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

HKFRS 15, *Revenue from contracts with customers*

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

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

3. Revenue and segment reporting

(a) Revenue

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

Disaggregation of revenue

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

	2018	2017
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Tinsplate products	2,417,520	1,781,285
- Fresh and live foodstuffs	322,286	295,777
	2,739,806	2,077,062
Commission income from the distribution of fresh and live foodstuffs		
	83,696	88,244
Revenue from other sources		
Rental income from property leasing	21,854	20,704
	2,845,356	2,186,010

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

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2018, revenue from sales of tinsplate products to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately \$469,491,000 (2017: \$334,395,000).

3. Revenue and segment reporting (Continued)

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

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

- Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of results arising from the activities of the Group's associates.
- Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments and borrowings managed directly by the segments.

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

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

3. Revenue and segment reporting (Continued)

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

	<i>Tinplating</i>		<i>Fresh and live foodstuffs</i>		<i>Property leasing</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue from external customers	2,417,520	1,781,285	405,982	384,021	21,854	20,704	2,845,356	2,186,010
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>2,417,520</u>	<u>1,781,285</u>	<u>405,982</u>	<u>384,021</u>	<u>21,854</u>	<u>20,704</u>	<u>2,845,356</u>	<u>2,186,010</u>
Reportable segment profit/(loss)	<u>2,474</u>	<u>(86,334)</u>	<u>75,384</u>	<u>95,836</u>	<u>16,015</u>	<u>14,432</u>	<u>93,873</u>	<u>23,934</u>
Reportable segment assets	1,694,450	1,794,179	262,464	285,932	462,199	417,699	2,419,113	2,497,810
(including interest in associates)	-	-	83,212	94,007	-	-	83,212	94,007
Reportable segment liabilities	<u>285,856</u>	<u>316,152</u>	<u>18,182</u>	<u>25,736</u>	<u>40,346</u>	<u>44,458</u>	<u>344,384</u>	<u>386,346</u>
Depreciation and amortisation for the year	<u>62,102</u>	<u>87,855</u>	<u>361</u>	<u>293</u>	<u>176</u>	<u>208</u>	<u>62,639</u>	<u>88,356</u>
Impairment losses on other property, plant and equipment	-	(5,653)	-	-	-	-	-	(5,653)
Interest income	<u>6,090</u>	<u>7,943</u>	<u>573</u>	<u>24</u>	-	-	<u>6,663</u>	<u>7,967</u>
Write-down of inventories	<u>1,448</u>	<u>5,406</u>	-	-	-	-	<u>1,448</u>	<u>5,406</u>
Additions to non-current segment assets during the year	<u>44,483</u>	<u>13,158</u>	<u>142</u>	<u>755</u>	-	-	<u>44,625</u>	<u>13,913</u>

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

	<i>2018</i>	<i>2017</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit		
Reportable segment profit derived from the Group's external customers and associates	93,873	23,934
Unallocated income and expenses	(22,663)	(9,107)
Valuation gains on investment properties	65,247	20,271
Finance costs	(12)	(1,016)
Share of (loss)/profit of an associate not attributable to any segment	<u>(13,821)</u>	<u>13,854</u>
Consolidated profit before taxation	<u>122,624</u>	<u>47,936</u>

3. Revenue and segment reporting (Continued)

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

	<i>2018</i> \$'000	<i>2017</i> \$'000
Assets		
Reportable segment assets	2,419,113	2,497,810
Interest in an associate not attributable to any segment	170,009	192,254
Unallocated assets	369,679	313,647
Consolidated total assets	2,958,801	3,003,711
Liabilities		
Reportable segment liabilities	344,384	386,346
Unallocated liabilities	9,561	6,992
Consolidated total liabilities	353,945	393,338

(iii) Geographic information

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

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2018</i> \$'000	<i>2017</i> \$'000	<i>2018</i> \$'000	<i>2017</i> \$'000
Hong Kong (place of domicile)	522,439	500,770	308,285	243,937
Mainland China	1,173,206	823,349	1,031,955	1,129,432
Asian countries (excluding Mainland China and Hong Kong)	719,193	540,702	-	-
Other countries	430,518	321,189	-	-
	2,322,917	1,685,240	1,031,955	1,129,432
	2,845,356	2,186,010	1,340,240	1,373,369

3. Revenue and segment reporting (Continued)

(iii) Geographic information (Continued)

The analysis above includes property rental income from external customers in Hong Kong and in Mainland China of \$7,191,000 (2017: \$7,008,000) and \$14,663,000 (2017: \$13,696,000) respectively.

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

4. Other revenue

	<i>2018</i> \$'000	<i>2017</i> \$'000
Interest income on financial assets measured at amortised cost	13,736	10,241
Subsidies received	2,526	4,029
Others	1,824	3,800
	18,086	18,070

5. Other net losses

	<i>2018</i> \$'000	<i>2017</i> \$'000
Net realised and unrealised exchange gain/(loss)	4,020	(10,099)
Net losses on forward foreign exchange contracts	(7,062)	-
Impairment losses on other property, plant and equipment	-	(5,653)
Net gain/(loss) on disposal of property, plant and equipment	318	(535)
	(2,724)	(16,287)

6. Profit before taxation

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

	2018	2017
	\$'000	\$'000
(a) Finance costs		
Interest on loans from a related company	<u>12</u>	<u>1,016</u>
(b) Staff costs		
Net contributions to defined contribution retirement plans	15,105	14,283
Salaries, wages and other benefits	<u>167,649</u>	<u>144,611</u>
	<u>182,754</u>	<u>158,894</u>
(c) Other items		
Cost of inventories sold (note)	2,583,288	2,013,209
Auditors' remuneration	3,871	5,360
Depreciation	70,399	84,971
Amortisation of land lease premium	3,540	3,448
Write-down of inventories	1,448	5,406
Operating lease charges	8,528	7,960
Rentals receivable from investment properties less direct outgoings of \$929,000 (2017: \$936,000)	<u>(20,925)</u>	<u>(19,768)</u>

Note: Cost of inventories sold includes \$161,590,000 (2017: \$172,919,000) relating to staff costs, depreciation, amortisation and write-down of inventories, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	2018 \$'000	2017 \$'000
Current tax – Hong Kong			
Provision for the year		9,416	10,514
Over-provision in respect of prior years		(60)	(31)
		<u>9,356</u>	<u>10,483</u>
Current tax – the People’s Republic of China (“PRC”)			
Provision for the year		1,176	2,478
Over-provision in respect of prior years		(4,750)	(5,266)
		<u>(3,574)</u>	<u>(2,788)</u>
Deferred tax			
Origination and reversal of temporary differences		<u>1,320</u>	<u>(15,559)</u>
	(i)	<u>7,102</u>	<u>(7,864)</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of \$30,000 for each company (2017: a maximum reduction of \$20,000 was granted for the year of assessment 2016-17 and was taken into account in calculating the provision for 2017). Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.
- (ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

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

8. Dividends

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

	2018 \$'000	2017 \$'000
Interim dividend declared and paid of 1.0 cent (2017: 1.0 cent) per ordinary share	9,076	9,076
Final dividend proposed after the end of the reporting period of 3.0 cents (2017: 3.0 cents) per ordinary share	<u>27,228</u>	<u>27,228</u>
	<u>36,304</u>	<u>36,304</u>

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

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

	2018 \$'000	2017 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents (2017: 3.0 cents) per ordinary share	<u>27,228</u>	<u>27,228</u>

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$118,377,000 (2017: \$65,797,000) and 907,593,000 (2017: 907,593,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no potential dilutive shares in existence during the years ended 31 December 2018 and 2017.

10. Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of \$305,700,000 (2017: \$242,411,000) were revalued at 31 December 2018 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties of the Group situated in the PRC totalling \$155,006,000 (2017: \$174,096,000) were revalued at 31 December 2018 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

Based on the revaluations, gains of \$65,247,000 (2017: \$20,271,000) have been recognised in the consolidated income statement.

11. Inventories

	<i>2018</i>	<i>2017</i>
	\$'000	\$'000
Raw materials, spare parts and consumables	161,737	129,572
Work in progress	42,323	56,275
Finished goods	94,413	88,606
	298,473	274,453

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 related companies (which are included in trade and other receivables, deposits and prepayments), net of loss allowance, is as follows:

	<i>2018</i>	<i>2017</i>
	\$'000	\$'000
Within 1 month	379,253	309,215
1 to 3 months	919	8,784
Over 3 months	51	30
	380,223	318,029

In respect of trade receivable relating to the tinplating business, deposits, prepayments and bills or letters of credit are normally obtained from customers. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are usually due within 1 month from the date of billing. 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

	<i>2018</i> \$'000	<i>2017</i> \$'000
Deposits with banks	344,682	287,140
Cash at bank and in hand	449,448	534,643
Cash and cash equivalents in the consolidated statement of financial position	794,130	821,783

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:

	<i>2018</i> \$'000	<i>2017</i> \$'000
Due within 1 month or on demand	162,061	84,097
Due after 1 month but within 3 months	70,738	120,109
Due after 3 months but within 1 year	-	13,255
	232,799	217,461

15. Loans from a related company

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

During the year ended 31 December 2018, the loans were fully repaid.

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 year ended 31 December 2018.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Company’s Audit Committee.

Purchase, Sale and Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

Annual General Meeting

The 2019 Annual General Meeting of the Company (“AGM”) will be held on Wednesday, 5 June 2019 at 11:00 a.m. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 30 May 2019.

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2017: HK 1.0 cent) per share was paid on 25 October 2018. The Board recommends the payment of a final dividend of HK 3.0 cents (2017: HK 3.0 cents) per share for the year ended 31 December 2018. The proposed final dividend, if approved at the AGM, is expected to be paid on Wednesday, 26 June 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 14 June 2019.

The register of members will be closed from Wednesday, 12 June 2019 to Friday, 14 June 2019 (both days inclusive), for the purpose of determining shareholders’ entitlement to the proposed final dividend, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at the address as set out above not later than 4:30 p.m. on Tuesday, 11 June 2019.

By Order of the Board

Tan Yunbiao

Chairman

Hong Kong, 29 March 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.