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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 2019

<b>Financial highlights for the year ended 31 December</b>			
	<b>2019</b>	<b>2018</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>Change</b>
<b>Revenue</b>	<b><u>2,369,724</u></b>	<b><u>2,845,356</u></b>	<b>-16.7%</b>
<b>Profit from operations</b>	<b><u>76,192</u></b>	<b><u>74,825</u></b>	<b>1.8%</b>
<b>Profit attributable to shareholders</b>	<b><u>54,213</u></b>	<b><u>118,377</u></b>	<b>-54.2%</b>
<b>Earnings per share – Basic</b>	<b><u>HK 6.0 cents</u></b>	<b><u>HK 13.0 cents</u></b>	<b>-53.8%</b>
<b>Dividend per share</b>			
<b>Interim</b>	<b>HK 1.0 cent</b>	<b>HK 1.0 cent</b>	
<b>Proposed final</b>	<b>HK 3.0 cents</b>	<b>HK 3.0 cents</b>	
	<b><u>HK 4.0 cents</u></b>	<b><u>HK 4.0 cents</u></b>	<b>0.0%</b>

## CHAIRMAN'S STATEMENT

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

### Dividend

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

### Business Review

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

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

As to the fresh and live foodstuffs business, avian flu still had an impact on the distribution and sales of live poultry business in 2019, and therefore no live poultry were imported into Hong Kong by the Group throughout the year. For the live pigs business, the sales volume and price of live pigs were comparatively stable in the first four months of 2019. However, the supply of live pigs from Mainland China decreased after the two incidents of African swine fever occurred in Sheung Shui slaughterhouse in Hong Kong in May 2019, resulting in the decrease in revenue of distribution and self-operated live pigs business. The price of live pigs significantly increased as a result of the decreased supply. The sales volume of fresh pork retail business decreased, and profits decreased due to the increase in costs. The revenue was HK\$326,411,000, a decrease of HK\$79,571,000 or 19.6% as compared to that in 2018. The segment profit was HK\$49,213,000, a decrease of HK\$26,171,000 or 34.7% as compared to that in 2018. The Group's overall market share in the live pigs supply into Hong Kong was about 46% in 2019.

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

## **Business Review (Continued)**

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

## **Prospects**

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

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

As for the fresh and live foodstuffs business, the Group aims to further strengthen the foundation for business development through broadening the sales channels for its wholesale and retail trade business and targets to seize the opportunities of development of the agricultural food industry so as to expand the food market in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will continuously extend the business chain horizontally and develop new profit growth points proactively.

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

## **Chen Benguang**

*Chairman*

Hong Kong, 27 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Tinplating

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

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

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

### Fresh and Live Foodstuffs

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

## **Fresh and Live Foodstuffs (Continued)**

In 2019, the revenue of the fresh and live foodstuffs business amounted to HK\$326,411,000, representing a decrease of HK\$79,571,000 or 19.6% as compared to that in 2018. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$19,781,000 (2018: share of loss less profit of HK\$3,615,000), the segment profit was HK\$49,213,000, representing a decrease of HK\$26,171,000 or 34.7% as compared to that in 2018. Avian flu still had an impact on the distribution and sales of live poultry business in 2019, and therefore no live poultry were imported into Hong Kong by the Group throughout the year. For the live pigs business, the sales volume and price of live pigs were comparatively stable in the first four months of 2019. However, the supply of live pigs from Mainland China decreased after the two incidents of African swine fever occurred in Sheung Shui slaughterhouse in Hong Kong in May 2019, resulting in the decrease in revenue of distribution and self-operated live pigs business. The price of live pigs significantly increased as a result of the decreased supply. The sales volume of fresh pork retail business decreased, and profits decreased due to the increase in costs. In addition, the price of live pigs has rebounded significantly during the year, leading to the overall losses turned to profits recorded by the two associates which are engaged in pig farming and sales of pigs.

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

## **Property Leasing**

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

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

## **Yellow Dragon**

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

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

## **FINANCIAL POSITION**

As at 31 December 2019, the Group's total assets and total liabilities amounted to HK\$3,046,807,000 and HK\$462,282,000, representing an increase of HK\$88,006,000 and HK\$108,337,000 respectively when compared with the positions at the end of 2018. Net current assets increased from HK\$1,284,323,000 at the end of 2018 to HK\$1,330,898,000 at the end of 2019. The current ratio (current assets divided by current liabilities) decreased from 4.8 at the end of 2018 to 4.1 at the end of 2019.

### **Liquidity and Financial Resources**

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

As at 31 December 2019, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less pledged deposits and cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -38.0% (2018: -33.6%).

As at 31 December 2019, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$504,453,000, of which HK\$219,557,000 was utilised and HK\$284,896,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.

### **Capital Expenditure and Capital Commitments**

The Group's capital expenditure in 2019 amounted to HK\$39,729,000 (2018: HK\$43,500,000). Capital commitments outstanding at 31 December 2019 not provided for in the financial statements amounted to HK\$34,296,000 (2018: HK\$26,428,000), mainly for the renovation of production equipment of Zhongyue Tinplate. It is expected that the capital expenditure for 2020 will be approximately HK\$130,000,000.

### **Acquisitions and Disposals of Investments**

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

### **Pledge of Assets**

As at 31 December 2019, deposits at bank of HK\$23,890,000 (31 December 2018: HK\$30,655,000) were pledged as securities for bills payable. Other than the above, none of the assets of the Group was pledged.

### **Contingent Liabilities**

As at 31 December 2019, the Group had no material contingent liabilities.

## **Exchange Rate and Interest Rate Exposures**

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

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 31 December 2019, forward foreign exchange contracts of USD21,500,000 (equivalent to HK\$167,700,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2018, forward foreign exchange contracts of USD6,000,000 (equivalent to HK\$46,800,000) against Renminbi were held by the Group.

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had a total of 1,081 full-time employees, a decrease of 28 from 1,109 at the end of 2018. 198 employees were based in Hong Kong and 883 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2019, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

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## **CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board announces the consolidated results of the Group for the year ended 31 December 2019, which have been reviewed by the Company's Audit Committee.

**Consolidated Income Statement**  
**For the year ended 31 December 2019**  
*(Expressed in Hong Kong dollars)*

	Note	2019 \$'000	2018 (Note) \$'000
<b>Revenue</b>	3	<b>2,369,724</b>	2,845,356
Cost of sales		<b>(2,144,241)</b>	(2,615,769)
<b>Gross profit</b>		<b>225,483</b>	229,587
Other revenue	4	<b>22,941</b>	18,086
Other net losses	5	<b>(2,594)</b>	(2,724)
Selling and distribution costs		<b>(60,576)</b>	(71,936)
Administrative expenses		<b>(108,818)</b>	(98,035)
Other operating expenses		<b>(244)</b>	(153)
<b>Profit from operations</b>		<b>76,192</b>	74,825
Valuation (losses)/gains on investment properties	10	<b>(10)</b>	65,247
Finance costs	6(a)	<b>(116)</b>	(12)
Share of profits less losses of associates		<b>(15,484)</b>	(17,436)
<b>Profit before taxation</b>	6	<b>60,582</b>	122,624
Income tax	7	<b>(6,415)</b>	(7,102)
<b>Profit for the year</b>		<b>54,167</b>	115,522
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>54,213</b>	118,377
Non-controlling interests		<b>(46)</b>	(2,855)
<b>Profit for the year</b>		<b>54,167</b>	115,522
<b>Dividends payable to equity shareholders of the Company attributable to the year:</b>	8(a)		
Interim dividend declared and paid during the year		<b>9,076</b>	9,076
Final dividend proposed after the end of the reporting period		<b>27,228</b>	27,228
		<b>36,304</b>	36,304
<b>Earnings per share</b>			
Basic	9(a)	<b>6.0 cents</b>	13.0 cents
Diluted	9(b)	<b>6.0 cents</b>	13.0 cents

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

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2019**  
*(Expressed in Hong Kong dollars)*

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

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

## Consolidated Statement of Financial Position

At 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 (Note) \$'000
<b>Non-current assets</b>			
Investment properties	10	457,300	460,706
Other property, plant and equipment		592,018	622,701
		<u>1,049,318</u>	<u>1,083,407</u>
Interest in associates		231,906	253,221
Deposits and prepayments		2,153	3,612
Deferred tax assets		175	-
		<u>1,283,552</u>	<u>1,340,240</u>
<b>Current assets</b>			
Inventories	11	330,719	298,473
Trade and other receivables, deposits and prepayments	12	504,668	494,453
Current tax recoverable		365	850
Pledged deposits		23,890	30,655
Cash and cash equivalents	13	903,613	794,130
		<u>1,763,255</u>	<u>1,618,561</u>
<b>Current liabilities</b>			
Trade and other payables	14	429,090	328,617
Lease liabilities		2,081	-
Current tax payable		1,186	5,621
		<u>432,357</u>	<u>334,238</u>
<b>Net current assets</b>		<u>1,330,898</u>	<u>1,284,323</u>
<b>Total assets less current liabilities</b>		<u>2,614,450</u>	<u>2,624,563</u>
<b>Non-current liabilities</b>			
Lease liabilities		1,222	-
Deferred tax liabilities		28,703	19,707
		<u>29,925</u>	<u>19,707</u>
<b>Net assets</b>		<u>2,584,525</u>	<u>2,604,856</u>
<b>Capital and reserves</b>			
Share capital		459,651	459,651
Reserves		1,978,933	1,996,798
<b>Total equity attributable to equity shareholders of the Company</b>		<u>2,438,584</u>	<u>2,456,449</u>
<b>Non-controlling interests</b>		<u>145,941</u>	<u>148,407</u>
<b>Total equity</b>		<u>2,584,525</u>	<u>2,604,856</u>

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

## **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 2018 annual financial statements, except for the accounting policy changes that are reflected in the 2019 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 2019 and 2018 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 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 and will deliver the financial statements for the year ended 31 December 2019 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

### HKFRS 16, *Leases*

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

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

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

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

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

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

## 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 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 financial result and segment results of the Group are insignificant.

## 3. Revenue and segment reporting

### (a) Revenue

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

Disaggregation of revenue

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

	<i>2019</i>	<i>2018</i>
	<b>\$’000</b>	<b>\$’000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines:		
Sales of goods		
- Tinplate products	<b>2,022,018</b>	2,417,520
- Fresh and live foodstuffs	<b>268,176</b>	322,286
	<b>2,290,194</b>	2,739,806
Commission income from the distribution of fresh and live foodstuffs		
	<b>58,235</b>	83,696
<b>Revenue from other sources</b>		
Rental income from property leasing	<b>21,295</b>	21,854
	<b>2,369,724</b>	2,845,356

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

The Group’s customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group’s revenue. In 2019, revenue from sales of tinplate products to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately \$273,590,000 (2018: \$469,491,000).

### 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.

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

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

### 3. Revenue and segment reporting (Continued)

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

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

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

### 3. Revenue and segment reporting (Continued)

#### (iii) Geographic information

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

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

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

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

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

#### 4. Other revenue

	<i>2019</i> \$'000	<i>2018</i> \$'000
Interest income on financial assets measured at amortised cost	<b>19,312</b>	13,736
Subsidies received	<b>1,497</b>	2,526
Others	<b>2,132</b>	1,824
	<u><b>22,941</b></u>	<u>18,086</u>

#### 5. Other net losses

	<i>2019</i> \$'000	<i>2018</i> \$'000
Net realised and unrealised exchange (loss)/gain	<b>(4,526)</b>	4,020
Net gains/(losses) on forward foreign exchange contracts	<b>2,602</b>	(7,062)
Net (loss)/gain on disposal of property, plant and equipment	<b>(670)</b>	318
	<u><b>(2,594)</b></u>	<u>(2,724)</u>

#### 6. Profit before taxation

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

	<i>2019</i> \$'000	<i>2018</i> (Note (ii)) \$'000
<i>(a) Finance costs</i>		
Interest on loans from a related company	-	12
Interest on lease liabilities	<b>69</b>	-
Other interest expense	<b>47</b>	-
	<u><b>116</b></u>	<u>12</u>

## 6. Profit before taxation (Continued)

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

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

Notes:

- (i) Cost of inventories sold includes \$156,246,000 (2018: \$161,590,000) relating to staff costs, depreciation expense and write-down of inventories, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.
- (ii) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

## 7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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

Notes:

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

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

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of \$20,000 for each company (2018: a maximum reduction of \$30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018). Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.

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

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

## 8. Dividends

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

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

	2019 \$'000	2018 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents (2018: 3.0 cents) per ordinary share	<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 \$54,213,000 (2018: \$118,377,000) and 907,593,000 (2018: 907,593,000) ordinary shares in issue during the year.

(b) *Diluted earnings per share*

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

## 10. Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of \$305,700,000 (2018: \$305,700,000) were revalued at 31 December 2019 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties of the Group situated in the PRC totalling \$151,600,000 (2018: \$155,006,000) were revalued at 31 December 2019 by an independent firm of surveyors, Guangdong Zhixin Land Real Estate Appraisal Co., Ltd. (2018: Vigers Appraisal and Consulting Limited), who have among their staff members of the China Institute of Real Estate Appraisers and Agents (2018: Hong Kong Institute of Surveyors) with recent experience in the location and category of property being valued.

Based on the revaluations, losses of \$10,000 (2018: gains of \$65,247,000) have been recognised in the consolidated income statement.

## 11. Inventories

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

## 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:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 1 month	<b>368,651</b>	379,253
1 to 3 months	<b>14,506</b>	919
Over 3 months	<b>814</b>	51
	<b><u>383,971</u></b>	<u>380,223</u>

## 12. Trade and other receivables, deposits and prepayments (Continued)

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits with banks	<b>695,776</b>	344,682
Cash at bank and in hand	<b>207,837</b>	449,448
Cash and cash equivalents in the consolidated statement of financial position	<b>903,613</b>	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:

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

## 15. Subsequent events

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.. As of the reporting date of this financial information, the public tender is still in process.

# 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 2019.

## Review of Annual Results

The annual results of the Group for the year ended 31 December 2019 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 2020 Annual General Meeting of the Company (“AGM”) will be held on Monday, 15 June 2020 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 Tuesday, 9 June 2020.

## Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2018: HK 1.0 cent) per share was paid on 25 October 2019. The Board recommends the payment of a final dividend of HK 3.0 cents (2018: HK 3.0 cents) per share for the year ended 31 December 2019. The proposed final dividend, if approved at the AGM, is expected to be paid on Friday, 7 August 2020 to the shareholders whose names appear on the register of members of the Company on Tuesday, 23 June 2020.

For the purpose of determining shareholders’ entitlements to the proposed final dividend for the year ended 31 December 2019, the register of members will be closed from Friday, 19 June 2020 to Tuesday, 23 June 2020 (both days inclusive) and no transfers of shares will be registered on that period. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at the address as set out above not later than 4:30 p.m. on Thursday, 18 June 2020.

By Order of the Board

**Chen Benguang**

*Chairman*

Hong Kong, 27 March 2020

*As at the date of this announcement, the Board is composed of three Executive Directors, namely Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei; 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.*