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

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1203)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**Unaudited financial highlights for the six months ended 30 June**

	<b>2020</b>	<b>2019</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>Change</b>
<b>Revenue</b>	<b><u>1,130,089</u></b>	<b><u>1,176,577</u></b>	<b>-4.0%</b>
<b>Profit from operations</b>	<b><u>39,638</u></b>	<b><u>53,088</u></b>	<b>-25.3%</b>
<b>Profit attributable to shareholders</b>	<b><u>46,610</u></b>	<b><u>32,949</u></b>	<b>41.5%</b>
<b>Basic earnings per share</b>	<b><u>HK 5.1 cents</u></b>	<b><u>HK 3.6 cents</u></b>	<b>41.7%</b>
<b>Interim dividend per share</b>	<b><u>HK 1.0 cent</u></b>	<b><u>HK 1.0 cent</u></b>	<b>0.0%</b>

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

## **RESULTS**

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

## **INTERIM DIVIDEND**

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

## **BUSINESS REVIEW**

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

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

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

## **BUSINESS REVIEW (Continued)**

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

For the associates, Yellow Dragon Food Industry Co., Ltd. (“Yellow Dragon”) recorded a decrease in loss as compared to the same period last year, mainly due to the increased gross profit per unit. Yellow Dragon recorded a loss of HK\$12,693,000 for the period. In addition, the price of pigs increased significantly in the first half of 2020 as compared to the same period last year. This led to the turning from a loss to profit for the two associates which are engaged in pig farming and sales of pigs. The Group’s share of profits from these two associates for the period was a total of HK\$31,391,000.

### **Tinplating**

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

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

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

## **Fresh and Live Foodstuffs**

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

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

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

## **Property Leasing**

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

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

## **Yellow Dragon**

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

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

## **FINANCIAL POSITION**

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

### **Liquidity and Financial Resources**

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

As at 30 June 2020, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less pledged deposits and cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was -39.2% (31 December 2019: -38.0%).

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

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

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

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

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

### **Pledge of Assets**

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

## **Contingent Liabilities**

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

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

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

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2020, forward foreign exchange contracts of USD7,000,000 (equivalent to HK\$54,600,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2019, forward foreign exchange contracts of USD21,500,000 (equivalent to HK\$167,700,000) against Renminbi were held by the Group.

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group had a total of 1,086 full-time employees, an increase of 5 from 1,081 at the end of 2019. 190 employees were based in Hong Kong and 896 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2020, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

## **PROSPECTS**

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

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

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

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

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## **UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2020, which have been reviewed by the Company's audit committee.

**Consolidated Income Statement**  
**For the six months ended 30 June 2020 - unaudited**  
*(Expressed in Hong Kong dollars)*

		<i>Six months ended 30 June</i>	
		<i>2020</i>	<i>2019</i>
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Revenue</b>	3	<b>1,130,089</b>	1,176,577
Cost of sales		<b>(1,010,734)</b>	(1,047,147)
<b>Gross profit</b>		<b>119,355</b>	129,430
Other revenue	4	<b>12,767</b>	9,846
Other net losses	5	<b>(1,412)</b>	(2,333)
Selling and distribution costs		<b>(27,989)</b>	(29,462)
Administrative expenses		<b>(63,083)</b>	(54,393)
<b>Profit from operations</b>		<b>39,638</b>	53,088
Valuation losses on investment properties	10(b)	<b>(9,341)</b>	-
Finance costs	6(a)	<b>(1,416)</b>	(5)
Share of profits less losses of associates		<b>26,314</b>	(16,977)
<b>Profit before taxation</b>	6	<b>55,195</b>	36,106
Income tax	7	<b>(9,396)</b>	(1,257)
<b>Profit for the period</b>		<b>45,799</b>	34,849
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>46,610</b>	32,949
Non-controlling interests		<b>(811)</b>	1,900
<b>Profit for the period</b>		<b>45,799</b>	34,849
<b>Interim dividend</b>	8(a)	<b>9,076</b>	9,076
<b>Earnings per share</b>			
Basic	9(a)	<b>5.1 cents</b>	3.6 cents
Diluted	9(b)	<b>5.1 cents</b>	3.6 cents

**Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2020 - unaudited**  
*(Expressed in Hong Kong dollars)*

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

## Consolidated Statement of Financial Position

At 30 June 2020

(Expressed in Hong Kong dollars)

	Note	At 30 June 2020 Unaudited \$'000	At 31 December 2019 Audited \$'000
<b>Non-current assets</b>			
Investment properties	10	445,043	457,300
Other property, plant and equipment	10	565,269	592,018
		<u>1,010,312</u>	1,049,318
Interest in associates		252,773	231,906
Deposits and prepayments		-	2,153
Deferred tax assets		-	175
		<u>1,263,085</u>	<u>1,283,552</u>
<b>Current assets</b>			
Inventories	11	298,190	330,719
Trade and other receivables, deposits and prepayments	12	624,602	504,668
Current tax recoverable		5,869	365
Pledged deposits		11,866	23,890
Cash and cash equivalents	13	993,074	903,613
		<u>1,933,601</u>	<u>1,763,255</u>
<b>Current liabilities</b>			
Trade and other payables	14	534,594	429,090
Loan from a fellow subsidiary		54,740	-
Lease liabilities		2,264	2,081
Current tax payable		717	1,186
		<u>592,315</u>	<u>432,357</u>
<b>Net current assets</b>		<u>1,341,286</u>	<u>1,330,898</u>
<b>Total assets less current liabilities</b>		<u>2,604,371</u>	<u>2,614,450</u>
<b>Non-current liabilities</b>			
Lease liabilities		531	1,222
Deferred tax liabilities		34,177	28,703
		<u>34,708</u>	<u>29,925</u>
<b>Net assets</b>		<u>2,569,663</u>	<u>2,584,525</u>
<b>Capital and reserves</b>			
Share capital		459,651	459,651
Reserves		1,966,961	1,978,933
<b>Total equity attributable to equity shareholders of the Company</b>		<u>2,426,612</u>	<u>2,438,584</u>
<b>Non-controlling interests</b>		<u>143,051</u>	<u>145,941</u>
<b>Total equity</b>		<u>2,569,663</u>	<u>2,584,525</u>

## Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

### 1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2020 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

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

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

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

## **2. Changes in accounting policies**

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRS”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **3. Revenue and segment reporting**

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

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

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

#### (a) Disaggregation of revenue

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

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

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

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

#### (b) Segment results, assets and liabilities

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

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

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

	<i>Six months ended 30 June</i>	
	2020	2019
	\$'000	\$'000
<b>Profit</b>		
Reportable segment profit derived from the Group's external customers and associates	<b>76,645</b>	54,889
Unallocated income and expenses	<b>(5,616)</b>	(5,100)
Valuation losses on investment properties	<b>(9,341)</b>	-
Finance costs	<b>(1,416)</b>	(5)
Share of loss of an associate not attributable to any segment	<b>(5,077)</b>	(13,678)
Consolidated profit before taxation	<u><b>55,195</b></u>	<u>36,106</u>

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

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

	<i>At</i> <b>30 June</b> 2020 \$'000	<i>At</i> <b>31 December</b> 2019 \$'000
<b>Assets</b>		
Reportable segment assets	2,653,323	2,536,655
Interest in an associate not attributable to any segment	124,069	131,626
Unallocated assets	419,294	378,526
Consolidated total assets	<u>3,196,686</u>	<u>3,046,807</u>
<b>Liabilities</b>		
Reportable segment liabilities	590,379	454,005
Unallocated liabilities	36,644	8,277
Consolidated total liabilities	<u>627,023</u>	<u>462,282</u>

### 4. Other revenue

	<i>Six months ended 30 June</i>	
	2020	2019
	\$'000	\$'000
Interest income on financial assets measured at amortised cost	10,904	8,289
Subsidies received	457	226
Others	1,406	1,331
	<u>12,767</u>	<u>9,846</u>

### 5. Other net losses

	<i>Six months ended 30 June</i>	
	2020	2019
	\$'000	\$'000
Net realised and unrealised exchange gain/(loss)	1,467	(3,144)
Net (losses)/gains on forward foreign exchange contracts	(2,893)	972
Others	14	(161)
	<u>(1,412)</u>	<u>(2,333)</u>

## 6. Profit before taxation

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

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

## 7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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

Notes:

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

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

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

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

## 8. Dividends

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

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

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

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

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

## 9. Earnings per share

- (a) *Basic earnings per share*

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

- (b) *Diluted earnings per share*

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

## 10. Investment properties and other property, plant and equipment

### (a) *Acquisitions and transfers of owned assets*

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

### (b) *Investment properties*

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

## 11. Inventories

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

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

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

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

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

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# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2020.

## Purchase, Sale and Redemption of Listed Securities

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

## Interim Dividend

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

## Closure of Register of Members

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

## Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2020. The interim financial report is unaudited, but has been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

By order of the Board

**Chen Benguang**

*Chairman*

Hong Kong, 21 August 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 Mr. Wang Longhai; and three independent non-executive directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.*