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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial highlights for the year ended 31 December			
	2020	2019	
	HK\$'000	HK\$'000	Change
Revenue	<u>2,538,001</u>	<u>2,369,724</u>	7.1%
Profit from operations	<u>66,878</u>	<u>76,192</u>	-12.2%
Profit attributable to shareholders	<u>69,899</u>	<u>54,213</u>	28.9%
Earnings per share – Basic	<u>HK 7.7 cents</u>	<u>HK 6.0 cents</u>	28.3%
Dividend per share			
Interim	HK 1.0 cent	HK 1.0 cent	
Proposed final	HK 1.5 cents	HK 3.0 cents	
	<u>HK 2.5 cents</u>	<u>HK 4.0 cents</u>	-37.5%

CHAIRMAN'S STATEMENT

I hereby report to the shareholders that GDH Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated profit attributable to equity shareholders of the Company of HK\$69,899,000 in 2020, representing an increase of 28.9% compared with HK\$54,213,000 in 2019. The basic earnings per share was HK 7.7 cents, representing an increase of 28.3% from HK 6.0 cents in 2019.

Dividend

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK 1.5 cents per share for the year 2020. The abovementioned final dividend for 2020, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 14 July 2021.

Business Review

In 2020, the Group's consolidated revenue was HK\$2,538,001,000, representing an increase of HK\$168,277,000 or 7.1% from HK\$2,369,724,000 in 2019. Profit from operations was HK\$66,878,000, representing a decrease of HK\$9,314,000 or 12.2% from HK\$76,192,000 in 2019.

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 2020 increased by 39,641 tonnes, representing an increase of 14.6% as compared to that in 2019. Selling price of tinplate products decreased during the year, while the cost of raw materials continued to rise in the second half of the year. The revenue was HK\$2,115,643,000, an increase of HK\$93,625,000 or 4.6% as compared to that in 2019. The segment profit was HK\$8,692,000, a decrease of HK\$27,419,000 or 75.9% as compared to that in 2019.

As regards the fresh and live foodstuffs business, the number of live pigs sold in 2020 decreased as compared to that in 2019 due to the African swine fever and tight supply of domestic pigs in China. However, the price of live pigs increased significantly, leading to an increase in profit of live pigs' distribution 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\$403,005,000, an increase of HK\$76,594,000 or 23.5% as compared to that in 2019. The segment profit was HK\$113,339,000, an increase of HK\$64,126,000 or 130.3% as compared to that in 2019. The Group's overall market share in the live pigs supply into Hong Kong was about 47% in 2020.

In respect of the property leasing business, the rental income in 2020 decreased by HK\$1,942,000 compared to that in 2019, and the segment profit decreased by HK\$2,522,000 compared to that in 2019. The value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$16,800,000 (2019: HK\$10,000) were recorded in 2020.

Business Review (Continued)

For the associates, Yellow Dragon Food Industry Co., Ltd. turned from a loss to profit in 2020 as a result of the increased gross profit per unit of its major product. The Group's share of profit for the year was HK\$2,237,000. In addition, the price of live pigs increased significantly in 2020 as compared to that in 2019, leading to the increase in 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\$58,343,000.

Prospects

With increasing risk of global economic downturn, slowdown in international trade and investment, intensifying adverse effect of trade 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 tinsplating business, the Group will focus on the implementation of innovation-driven development strategy. The Group will push forward strategic adjustment to its product structure through the research and development of new products and techniques 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 tinsplating supply chain service provider.

As for the fresh and live foodstuffs business, the Group aims to further strengthen its business development through broadening its food import and export trade business and the sales channels for its wholesale and retail trade business in the Guangdong-Hong Kong-Macao Greater Bay Area while maintaining its market share in Hong Kong. The Group will seize the opportunities of development of the agricultural food industry so as to expand the food market in the Greater Bay Area and extend its business chain to cover farming, butchery, cold chain transportation, food processing and terminal retail. In 2020, the Group completed the capital contribution to the project for constructing slaughter house in Nanhai District, Foshan City, which has laid a solid foundation for extending the Group's industrial chain. In 2021, while extending its business chain, the Group will conduct research on and participate in the construction of modern agricultural industrial parks proactively and continue to develop new profit growth points.

Facing the continued impact of the COVID-19 pandemic both at home and abroad, the Group will develop relevant work plans, timely and reasonably 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.

Chen Benguang

Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. (“GDH Zhongyue”) is a wholly-owned subsidiary of the Company. The Company holds 66% interest in a 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 83.4% of the Group’s revenue. In 2020, with the increased domestic demand in China, the Group produced 307,655 tonnes of tinplate products, representing an increase of 10.3% as compared to that in 2019. Among which, GDH Zhongyue and GDH Zhongyue Posco produced 210,628 tonnes and 97,027 tonnes respectively, an increase of 15.8% and 0.1% respectively as compared to that in 2019. In addition, the Group sold 311,288 tonnes of tinplate products, an increase of 14.6% as compared to that in 2019, of which, GDH Zhongyue and GDH Zhongyue Posco sold 213,273 tonnes and 98,015 tonnes respectively, an increase of 20.0% and 4.4% respectively as compared to that in 2019. Selling price of tinplate products decreased during the year, while the cost of raw materials continued to rise in the second half of the year. The revenue was HK\$2,115,643,000, an increase of HK\$93,625,000 or 4.6% as compared to that in 2019. The segment profit was HK\$8,692,000, a decrease of HK\$27,419,000 or 75.9% as compared to that in 2019.

Due to the intense market competition, the Group made endeavors to improve its technological level through innovation in scientific research, so as to reduce the production costs. Meanwhile, the Group strived to enhance product quality and enrich product mix to increase added values, which in return gaining customers’ recognition. Under the impact of the COVID-19 pandemic, the Group also strived to make every effort in domestic market expansion to resume sales in the domestic market. The Group actively communicated with foreign customers to resume the proportion of export sales as the impact of the pandemic was mitigated. 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 51% interest in a subsidiary, GDH Guangnan Live Pigs Trading Limited, 65% interest in a subsidiary, GDH Food (Foshan) Company Limited (“GDH Food Foshan” and formerly known as Foshan Nanhai Runyuan Food Co., Ltd.), 13.21% (2019: 15.45%) interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. (“Hubei Jinxu”) and 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. (“Guangdong Baojin”). In December 2020, Hubei Jinxu issued new shares to a new investor. After the issuance, the Group’s equity interest in Hubei Jinxu was diluted from 15.45% to 13.21%.

Fresh and Live Foodstuffs (Continued)

In 2020, the revenue of the fresh and live foodstuffs business amounted to HK\$403,005,000, representing an increase of HK\$76,594,000 or 23.5% as compared to that in 2019. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$58,343,000 (2019: HK\$19,781,000), the segment profit was HK\$113,339,000, representing an increase of HK\$64,126,000 or 130.3% as compared to that in 2019. Notwithstanding the number of live pigs sold in 2020 decreased as compared to that in 2019, the price of live pigs increased significantly, leading to an increase in profit of live pigs' distribution business, while an increase of 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. Meanwhile, the Group extended its business chain through accelerating its food import and export trade business, and completed the capital contribution to the project for constructing slaughter house in Nanhai District, Foshan City in the end of 2020.

Property Leasing

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

In 2020, the property occupancy rate for the property leasing business of the Group was 82.0%, representing a decrease of 8.8 percentage points as compared to that in 2019. Revenue was HK\$19,353,000, a decrease of 9.1% as compared to that in 2019. The segment profit amounted to HK\$12,824,000, a decrease of 16.4% as compared to that in 2019. In addition, the value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$16,800,000 (2019: HK\$10,000) were recorded for the year.

Yellow Dragon

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

In 2020, Yellow Dragon recorded a sales volume of 276,020 tonnes of corn starch, its major product, representing a decrease of 18.8% as compared to that in 2019. Product selling prices increased during the year. Revenue amounted to HK\$1,262,091,000, a decrease of 7.3% as compared to that in 2019. Due to the increase in gross profit per unit, Yellow Dragon turned from a loss to profit in 2020, with a profit of HK\$5,593,000 recorded. As the Company holds a 40% interest in Yellow Dragon, the Group's share of profit was HK\$2,237,000 (2019: share of loss of HK\$35,265,000).

Consider the unstable results performance of Yellow Dragon, the Group carried out an impairment review on the carrying amount of Yellow Dragon by comparing the recoverable amount with the carrying amount of the Group's interest in Yellow Dragon as at 31 December 2020. Based on the assessment, the recoverable amount of Yellow Dragon was lower than its carrying amount as at 31 December 2020. Hence, an impairment loss of HK\$23,764,000 (2019: HK\$Nil) was provided during the year. The Group will continue to monitor the performance of Yellow Dragon cautiously in view of the dramatic changes in the corn processing market.

FINANCIAL POSITION

As at 31 December 2020, the Group's total assets and total liabilities amounted to HK\$3,315,440,000 and HK\$531,032,000, representing an increase of HK\$268,633,000 and HK\$68,750,000 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\$1,471,485,000 at the end of 2020. The current ratio (current assets divided by current liabilities) decreased from 4.1 at the end of 2019 to 4.0 at the end of 2020.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 31 December 2020 was HK\$895,109,000, representing a decrease of 0.9% when compared with the position at the end of 2019, of which 57.2% was denominated in Renminbi, 21.3% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income decreased from HK\$19,312,000 in 2019 to HK\$17,585,000 in 2020.

As at 31 December 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 -33.4% (2019: -38.0%).

As at 31 December 2020, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$673,888,000, of which HK\$231,409,000 was utilised and HK\$442,479,000 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 2020 amounted to HK\$54,886,000 (2019: HK\$39,729,000). Capital commitments outstanding at 31 December 2020 not provided for in the financial statements amounted to HK\$636,186,000 (2019: HK\$34,296,000), mainly for the slaughterhouse construction project of GDH Food Foshan and the renovation of production equipment of GDH Zhongyue. It is expected that the capital expenditure for 2021 will be approximately HK\$690,000,000.

Acquisitions and Disposals of Investments

On 22 December 2020, GDH Guangnan Hong entered into a capital injection agreement with GDH Food Foshan and Foshan City Nanhai District Xinying Enterprise Planning Corporation ("Xinying"), which was the sole shareholder of GDH Food Foshan. Pursuant to the agreement, GDH Guangnan Hong and Xinying have conditionally agreed to subscribe for the registered capital in GDH Food Foshan of RMB79,857,200 (equivalent to approximately of HK\$95,194,000) and RMB40,000,000 (equivalent to approximately of HK\$47,680,000) respectively. Upon the completion on 29 December 2020, the registered capital of GDH Food Foshan was RMB122,857,200 and it was owned 65% and 35% by GDH Guangnan Hong and Xinying respectively.

Acquisitions and Disposals of Investments (Continued)

In December 2020, Hubei Jinxu issued new shares to a new investor. After the issuance, the Group's equity interest in Hubei Jinxu was diluted from 15.45% to 13.21%, which resulted in a gain on deemed disposal of interest in that associate of HK\$2,631,000.

Except for the abovementioned matter, the Group had no other material acquisitions and disposals of investments during the year.

Pledge of Assets

As at 31 December 2020, deposits at bank of HK\$24,123,000 (2019: HK\$23,890,000) were pledged as securities for bills payable.

As at 31 December 2020, an amount of HK\$59,410,000 (2019: HK\$Nil) among the unutilised banking facilities were secured by mortgages over land and buildings with an aggregate carrying value of HK\$106,315,000 (2019: HK\$Nil). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 31 December 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 31 December 2020, forward foreign exchange contracts of USD3,500,000 (equivalent to HK\$27,300,000) 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 31 December 2020, the Group had a total of 1,071 full-time employees, a decrease of 10 from 1,081 at the end of 2019. 190 employees were based in Hong Kong and 881 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.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2020

The Board announces the consolidated results of the Group for the year ended 31 December 2020, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Revenue	3	2,538,001	2,369,724
Cost of sales		(2,278,586)	(2,144,241)
Gross profit		259,415	225,483
Other revenue	4	28,502	22,941
Other net gains/(losses)	5	7,382	(2,594)
Selling and distribution costs		(68,618)	(60,576)
Administrative expenses		(159,800)	(108,818)
Other operating expenses		(3)	(244)
Profit from operations		66,878	76,192
Valuation losses on investment properties	10	(16,800)	(10)
Finance costs	6(a)	(2,831)	(116)
Share of profits less losses of associates		60,580	(15,484)
Impairment loss on interest in an associate		(23,764)	-
Profit before taxation	6	84,063	60,582
Income tax	7	(11,171)	(6,415)
Profit for the year		72,892	54,167
Attributable to:			
Equity shareholders of the Company		69,899	54,213
Non-controlling interests		2,993	(46)
Profit for the year		72,892	54,167
Dividends payable to equity shareholders of the Company attributable to the year:	8(a)		
Interim dividend declared and paid during the year		9,076	9,076
Final dividend proposed after the end of the reporting period		13,614	27,228
		22,690	36,304
Earnings per share			
Basic	9(a)	7.7 cents	6.0 cents
Diluted	9(b)	7.7 cents	6.0 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Profit for the year	<u>72,892</u>	<u>54,167</u>
Other comprehensive income for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	94,839	(33,255)
- associates outside Hong Kong	19,424	(5,831)
- tax (expense)/benefit related to a subsidiary outside Hong Kong	<u>(1,464)</u>	<u>892</u>
Net-of-tax amount	<u>112,799</u>	<u>(38,194)</u>
Total comprehensive income for the year	<u>185,691</u>	<u>15,973</u>
Attributable to:		
Equity shareholders of the Company	175,717	18,439
Non-controlling interests	<u>9,974</u>	<u>(2,466)</u>
Total comprehensive income for the year	<u>185,691</u>	<u>15,973</u>

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Non-current assets			
Investment properties	10	450,265	457,300
Other property, plant and equipment		<u>620,345</u>	<u>592,018</u>
		1,070,610	1,049,318
Goodwill		1,415	-
Interest in associates		279,209	231,906
Deposits and prepayments		-	2,153
Deferred tax assets		-	175
		<u>1,351,234</u>	<u>1,283,552</u>
Current assets			
Inventories	11	315,091	330,719
Trade and other receivables, deposits and prepayments	12	729,883	504,668
Current tax recoverable		-	365
Pledged deposits		24,123	23,890
Cash and cash equivalents	13	<u>895,109</u>	<u>903,613</u>
		1,964,206	1,763,255
Current liabilities			
Trade and other payables	14	429,885	429,090
Loan from a fellow subsidiary		59,410	-
Lease liabilities		2,013	2,081
Current tax payable		<u>1,413</u>	<u>1,186</u>
		492,721	432,357
Net current assets		<u>1,471,485</u>	<u>1,330,898</u>
Total assets less current liabilities		2,822,719	2,614,450
Non-current liabilities			
Lease liabilities		717	1,222
Deferred tax liabilities		<u>37,594</u>	<u>28,703</u>
		38,311	29,925
Net assets		<u>2,784,408</u>	<u>2,584,525</u>
Capital and reserves			
Share capital		459,651	459,651
Reserves		<u>2,118,346</u>	<u>1,978,933</u>
Total equity attributable to equity shareholders of the Company		2,577,997	2,438,584
Non-controlling interests		<u>206,411</u>	<u>145,941</u>
Total equity		<u>2,784,408</u>	<u>2,584,525</u>

Notes to the consolidated financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Basis of preparation

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

This financial information has been prepared on a basis consistent with the accounting policies and methods adopted in the 2019 annual financial statements, except for the accounting policy changes that are reflected in the 2020 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 2020 and 2019 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 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 and will deliver the financial statements for the year ended 31 December 2020 in due course.

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

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. 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.

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:

	2020 \$'000	2019 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Tinplate products	2,115,643	2,022,018
- Fresh and live foodstuffs	<u>321,012</u>	<u>268,176</u>
	2,436,655	2,290,194
Commission income from the distribution of fresh and live foodstuffs		
	81,993	58,235
Revenue from other sources		
Rental income from property leasing	<u>19,353</u>	<u>21,295</u>
	<u>2,538,001</u>	<u>2,369,724</u>

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 2020, 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 \$257,001,000 (2019: \$273,590,000).

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>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</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	2,115,643	2,022,018	403,005	326,411	19,353	21,295	2,538,001	2,369,724
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>2,115,643</u>	<u>2,022,018</u>	<u>403,005</u>	<u>326,411</u>	<u>19,353</u>	<u>21,295</u>	<u>2,538,001</u>	<u>2,369,724</u>
Reportable segment profit	<u>8,692</u>	<u>36,111</u>	<u>113,339</u>	<u>49,213</u>	<u>12,824</u>	<u>15,346</u>	<u>134,855</u>	<u>100,670</u>
Reportable segment assets (including interest in associates)	<u>1,935,619</u>	<u>1,808,069</u>	<u>498,919</u>	<u>270,228</u>	<u>452,114</u>	<u>458,358</u>	<u>2,886,652</u>	<u>2,536,655</u>
Reportable segment liabilities	<u>447,624</u>	<u>390,368</u>	<u>33,328</u>	<u>23,236</u>	<u>40,563</u>	<u>40,401</u>	<u>521,515</u>	<u>454,005</u>
Depreciation and amortisation for the year	<u>56,121</u>	<u>55,044</u>	<u>4,604</u>	<u>1,869</u>	<u>87</u>	<u>94</u>	<u>60,812</u>	<u>57,007</u>
Interest income	<u>12,079</u>	<u>9,274</u>	<u>289</u>	<u>812</u>	<u>-</u>	<u>-</u>	<u>12,368</u>	<u>10,086</u>
(Write-back)/write-down of inventories	<u>(1,906)</u>	<u>5,519</u>	<u>1,202</u>	<u>726</u>	<u>-</u>	<u>-</u>	<u>(704)</u>	<u>6,245</u>
Additions to non-current segment assets during the year	<u>47,616</u>	<u>26,307</u>	<u>4,498</u>	<u>12,840</u>	<u>-</u>	<u>-</u>	<u>52,114</u>	<u>39,147</u>

3. Revenue and segment reporting (Continued)

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

	<i>2020</i>	<i>2019</i>
	\$'000	\$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	134,855	100,670
Unallocated income and expenses	(9,634)	(4,697)
Valuation losses on investment properties	(16,800)	(10)
Finance costs	(2,831)	(116)
Share of profit/(loss) of an associate not attributable to any segment	2,237	(35,265)
Impairment loss on interest in an associate not attributable to any segment	(23,764)	-
Consolidated profit before taxation	84,063	60,582
Assets		
Reportable segment assets	2,886,652	2,536,655
Interest in an associate not attributable to any segment	118,900	131,626
Unallocated assets	309,888	378,526
Consolidated total assets	3,315,440	3,046,807
Liabilities		
Reportable segment liabilities	521,515	454,005
Unallocated liabilities	9,517	8,277
Consolidated total liabilities	531,032	462,282

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>2020</i> \$'000	<i>2019</i> \$'000	<i>2020</i> \$'000	<i>2019</i> \$'000
Hong Kong (place of domicile)	384,201	403,887	303,205	319,977
Mainland China	1,366,857	1,093,643	1,046,614	963,400
Asian countries (excluding Mainland China and Hong Kong)	484,512	597,171	-	-
Other countries	302,431	275,023	-	-
	2,153,800	1,965,837	1,046,614	963,400
	2,538,001	2,369,724	1,349,819	1,283,377

The analysis above includes property rental income from external customers in Hong Kong and in Mainland China of \$7,301,000 (2019: \$7,440,000) and \$12,052,000 (2019: \$13,855,000) 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

	2020 \$'000	2019 \$'000
Interest income on financial assets measured at amortised cost	17,585	19,312
Subsidies received	7,869	1,497
Others	3,048	2,132
	<u>28,502</u>	<u>22,941</u>

5. Other net gains/(losses)

	2020 \$'000	2019 \$'000
Net realised and unrealised exchange gain/(loss)	6,320	(4,526)
Net (losses)/gains on forward foreign exchange contracts	(1,528)	2,602
Gain on deemed disposal of interest in an associate	2,631	-
Net loss on disposal of property, plant and equipment	(41)	(670)
	<u>7,382</u>	<u>(2,594)</u>

6. Profit before taxation

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

	2020 \$'000	2019 \$'000
<i>(a) Finance costs</i>		
Interest on bank loan	1,145	-
Interest on loan from a fellow subsidiary	1,482	-
Interest on lease liabilities	113	69
Other interest expense	91	47
	<u>2,831</u>	<u>116</u>

6. Profit before taxation (Continued)

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

	<i>2020</i>	<i>2019</i>
	\$'000	\$'000
(b) Staff costs		
Net contributions to defined contribution retirement plans	6,456	15,202
Salaries, wages and other benefits	182,358	171,981
	188,814	187,183
(c) Other items		
Cost of inventories sold (Note (i))	2,256,824	2,124,933
Auditors' remuneration	3,986	4,034
Depreciation charge		
- Owned property, plant and equipment	55,441	52,640
- Right-of-use assets	5,699	4,526
Variable lease payments not included in the measurement of lease liabilities	1,805	1,678
Research and development costs	48,015	2,143
Rentals receivable from investment properties less direct outgoings of \$1,518,000 (2019: \$969,000)	(17,835)	(20,326)

Note:

- (i) Cost of inventories sold includes \$149,194,000 (2019: \$156,246,000) relating to staff costs, depreciation expense and (write-back)/write-down of inventories, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	2020 \$'000	2019 \$'000
Current tax – Hong Kong			
Provision for the year		2,296	1,392
Over-provision in respect of prior years		(20)	(40)
		<u>2,276</u>	<u>1,352</u>
Current tax – the People’s Republic of China (“PRC”)			
Provision for the year		2,477	728
Over-provision in respect of prior years		-	(5,866)
		<u>2,477</u>	<u>(5,138)</u>
Deferred tax			
Origination and reversal of temporary differences		<u>6,418</u>	<u>10,201</u>
	(i)	<u>11,171</u>	<u>6,415</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 2019.

The provision for Hong Kong Profits Tax for 2020 is taken into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2019-20 subject to a maximum reduction of \$20,000 for each company (2019: a reduction granted by the Government of the Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of \$20,000 for each company). 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, except for a subsidiary that is entitled to tax incentive as a new and high technology enterprise, enjoys 15% annual effective tax rate.

7. Income tax in the consolidated income statement (Continued)

- (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:*

	2020 \$'000	2019 \$'000
Interim dividend declared and paid of 1.0 cent (2019: 1.0 cent) per ordinary share	9,076	9,076
Final dividend proposed after the end of the reporting period of 1.5 cents (2019: 3.0 cents) per ordinary share	<u>13,614</u>	<u>27,228</u>
	<u>22,690</u>	<u>36,304</u>

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

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

	2020 \$'000	2019 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents (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 is based on the profit attributable to ordinary equity shareholders of the Company of \$69,899,000 (2019: \$54,213,000) and 907,593,000 (2019: 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 2020 and 2019.

10. Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of \$288,900,000 (2019: \$305,700,000) were revalued at 31 December 2020 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 \$161,365,000 (2019: \$151,600,000) were revalued at 31 December 2020 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2019: Guangdong Zhixin Land Real Estate Appraisal Co., Ltd.), who have among their staff members of the Hong Kong Institute of Surveyors (2019: China Institute of Real Estate Appraisers and Agents) with recent experience in the location and category of property being valued.

Based on the revaluations, losses of \$16,800,000 (2019: \$10,000) have been recognised in the consolidated income statement.

11. Inventories

	<i>2020</i>	<i>2019</i>
	\$'000	\$'000
Raw materials, spare parts and consumables	155,298	181,830
Work in progress	63,153	46,438
Finished goods	96,640	102,451
	315,091	330,719

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>2020</i>	<i>2019</i>
	\$'000	\$'000
Within 1 month	537,468	368,651
1 to 3 months	26,378	14,506
Over 3 months	991	814
	564,837	383,971

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

	2020 \$'000	2019 \$'000
Deposits with banks	530,940	695,776
Cash at bank and on hand	<u>364,169</u>	<u>207,837</u>
Cash and cash equivalents in the consolidated statement of financial position	<u><u>895,109</u></u>	<u><u>903,613</u></u>

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:

	2020 \$'000	2019 \$'000
Due within 1 month or on demand	195,151	141,946
Due after 1 month but within 3 months	48,110	123,050
Due after 3 months but within 1 year	<u>62,437</u>	<u>59,063</u>
	<u><u>305,698</u></u>	<u><u>324,059</u></u>

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 2020.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2020 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 2021 Annual General Meeting of the Company (“AGM”) will be held on Friday, 18 June 2021 at 3:00 p.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 Friday, 11 June 2021.

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2019: HK 1.0 cent) per share was paid on 23 October 2020. The Board recommends the payment of a final dividend of HK 1.5 cents (2019: HK 3.0 cents) per share for the year ended 31 December 2020. The proposed final dividend, if approved at the AGM, is expected to be paid on Wednesday, 14 July 2021 to the shareholders whose names appear on the register of members of the Company on Monday, 28 June 2021.

For the purpose of determining shareholders’ entitlements to the proposed final dividend for the year ended 31 December 2020, the register of members will be closed from Thursday, 24 June 2021 to Monday, 28 June 2021 (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 Wednesday, 23 June 2021.

By Order of the Board

Chen Benguang

Chairman

Hong Kong, 30 March 2021

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.