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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: 01203)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Financial highlights for the year ended 31 December			
	2021	2020	
	HK\$'000	HK\$'000	Change
Revenue	<u>4,855,567</u>	<u>2,538,001</u>	91.3%
Profit from operations	<u>155,302</u>	<u>66,878</u>	132.2%
Profit attributable to shareholders	<u>54,062</u>	<u>69,899</u>	-22.7%
Earnings per share – Basic	<u>HK 6.0 cents</u>	<u>HK 7.7 cents</u>	-22.1%
Dividend per share			
Interim	HK 1.0 cent	HK 1.0 cent	
Proposed final	HK 1.5 cents	HK 1.5 cents	
	<u>HK 2.5 cents</u>	<u>HK 2.5 cents</u>	0.0%

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\$54,062,000 in 2021, representing a decrease of 22.7% compared with HK\$69,899,000 in 2020. The basic earnings per share was HK 6.0 cents, representing a decrease of 22.1% from HK 7.7 cents in 2020.

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 2021. The abovementioned final dividend for 2021, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 15 July 2022.

Business Review

In 2021, the Group's consolidated revenue was HK\$4,855,567,000, representing an increase of HK\$2,317,566,000 or 91.3% from HK\$2,538,001,000 in 2020. Profit from operations was HK\$155,302,000, representing an increase of HK\$88,424,000 or 132.2% from HK\$66,878,000 in 2020.

As regards the fresh and live foodstuffs business, as a result of excess capacity and supply in the live pig industry in 2021 in Mainland China, the swine price dropped sharply, leading to a significant drop in profits recorded by the two associates, which engaged in pig farming and sales of pigs, as compared to the same period last year. However, the newly expanded slaughter business and the chilled meat wholesale and retail business in the Mainland became the new profit growth point in this year, partially offsetting the effect of the decline in the profits recorded by the aforementioned associates. The slaughter of live pigs exceeded 490,000 heads in 2021. The revenue was HK\$1,710,826,000, an increase of HK\$1,307,821,000 or 324.5% as compared to that in 2020. The segment profit was HK\$58,704,000, a decrease of HK\$54,635,000 or 48.2% as compared to that in 2020. The Group's overall market share in the live pigs supply into Hong Kong was about 47% in 2021.

In respect of our tinsplating business, the industry competition is intense. As the COVID-19 pandemic continues to ease in Mainland China and the economy is gradually recovering, the demand for tinsplate is gradually increasing. Coupled with rising prices of bulk raw materials, the sales volume and selling prices of tinsplate products increased as compared to last year due to inflationary pressures. The profit also increased accordingly. Sales volume of tinsplate products in 2021 increased by 10,824 tonnes, representing an increase of 3.5% as compared to that in 2020. Selling price of tinsplate products and the cost of raw materials increased during the year. The revenue was HK\$3,122,513,000, an increase of HK\$1,006,870,000 or 47.6% as compared to that in 2020. The segment profit was HK\$84,943,000, an increase of HK\$76,251,000 or 877.3% as compared to that in 2020.

In respect of the property leasing business, the rental income in 2021 increased by HK\$2,875,000 compared to that in 2020, and the segment profit decreased by HK\$1,712,000 compared to that in 2020. The value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$1,098,000 (2020: HK\$16,800,000) were recorded in 2021.

Business Review (Continued)

For the associates, the price of raw materials of corn starch production had increased due to the rise in commodity prices as well as the substantial increase in the demand of corn as swine feed by the breeding industry as a result of their business expansion. At the same time, the demand for corn starch by downstream enterprises declined. The selling price of corn starch dropped whereas, on the contrary, the price of its raw materials had risen. As a result, there was a decreased gross profit per unit of the major products and an increase in loss recorded by Yellow Dragon Food Industry Co., Ltd., as compared to last year. The Group's share of loss for the year was HK\$46,701,000. In addition, the price of live pigs decreased significantly in 2021 as compared to that in 2020, leading to the decrease in profits recorded by the two associates which are engaged in pig farming and sales of pigs. The Group's share of loss from these two associates for the year was a total of HK\$25,604,000.

Prospects

At present, the world economy is undergoing a period of fluctuation and recovery. However, due to the impact of repeated COVID-19 outbreaks, the pace of economic recovery is different at home and abroad. The recovery of the global economy has had a certain driving effect on emerging economies. Most western countries implement loose monetary policies, and global inflationary pressures are steadily increasing. In 2021, the world encountered many difficulties, among which the more prominent ones include supply chain crisis, energy crisis and inflation crisis. These three crises appear to be isolated incidents, which in fact correlated to each other and are intertwined. At present, the economic fundamentals are still facing many unstable and uncertain factors, which will bring certain pressure on the operation of the Group.

As for the fresh and live foodstuffs business, the Group will further consolidate the development foundation of the wholesale and retail trade business and focus on grasping the development opportunities of modern agriculture. Focusing on the “vegetable basket” market in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will invest in the construction of an integrated industrial chain operation platform of “livestock and poultry breeding – slaughter and processing – cold chain distribution – fresh marketing”, cultivate new profit growth points, establish a multi-level sales channel system, and explore new business models such as e-commerce and new food retail, so as to achieve leapfrog development in the entire chain of fresh products. Guided by market demand and supported by scientific and technological innovation, the Group will accelerate the transformation of the development mode of the fresh and live foodstuffs industry, optimize the structural layout of the fresh and live foodstuffs industry, strengthen the cultivation of new operating entities and service entities of fresh and live foodstuffs, and enhance the comprehensive production and service capabilities and core competitiveness of the fresh and live foodstuffs industry.

In terms of livestock and poultry breeding, the Group will stabilise the existing agency business operations for livestock supply to Hong Kong by adopting a self-breeding model to strategically control its own pig resources, strengthen the core links of breeding, and ensure the safe and stable supply of fresh agricultural products in the Guangdong-Hong Kong-Macao Greater Bay Area in the future. In 2021, the Group completed the capital injection in Guangdong Zijin Baojin Livestock Co., Ltd., which has laid a solid foundation for strengthening control of live pigs breeding and expanding the modern agricultural industry chain.

Prospects (Continued)

As for butchery and processing and cold chain logistics, the Group will strengthen the intermediate chain links such as meat processing plants and cold storage for the fresh and live foodstuffs, forming a synergistic relationship with upstream breeding and downstream terminals, and continue to provide the assured, high-quality, safe and fresh or processed products to consumers. In 2021, the Group accelerated the construction of the meat processing project in Foshan, laying a foundation for the expansion of the meat processing business. The Group will provide stable supply for the expansion of customer network in downstream markets. In respect of the retail business in Hong Kong, the Group will accelerate the layout of three-dimensional retail network and continue to expand and build a three-dimensional retail network for fresh food combining online and offline channels.

In terms of the food sales network in Mainland China, the Group actively introduces and explores new business models such as e-commerce and new retail, and gradually achieves a multi-level sales network with a full coverage of the Guangdong-Hong Kong-Macao Greater Bay Area. In 2021, a new online and offline integrated retail business has been launched by GDH Guangnan Hong (Guangdong) Company Limited, which has comprehensively promoted the establishment of food sales channels in Mainland China. The Group applies the retail operation management system and strengthens the analysis of operation data to support accurate customer demand analysis, value matching and relationship maintenance. The Group continues to carry out in-depth research on the existing online shopping platform and selects opportunities to enter the platform to carry out sales of branded products.

In respect of the tinplating business, the Group adheres to the customer-oriented, innovation-driven development strategy, continues to improve the core competitiveness of the Group's product quality, craftsmanship and technology, vigorously explores ways to extend the product chain and value chain, and builds itself into the most reliable tinplate supply chain service provider for customers to satisfy their needs. In the future, the tinplating industry will develop in the direction of environmental protection, convenience and conservation, reliability and recyclability, continuous enhancement of two-piece type, rapid enhancement of professional production of metal packaging parts, standardisation and personalisation of tank type. The Group's tinplating business will further enhance its corporate competitiveness through innovative means such as thinning, widening, high strengthening and high deformation of products, environmentally friendly product production process and improvement of requirements for harmless treatment of raw materials, and continuous improvement of production line efficiency.

In the face of the rapid mutation of COVID-19 and the risks of subsequent uncertainties faced by the fresh and live foodstuffs and tinplating business, the Group will continue to strengthen its business operations, risk prevention and control, adjust business strategies in a timely manner, and ensure business stability. Leveraging on its sound financial condition and abundant capital resources, the Group will seize every opportunity for development with an aim to enhance its scale of corporate revenue and profitability, thereby maximizing value for its shareholders.

Chen Benguang

Chairman

Hong Kong, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Fresh and Live Foodstuffs

GDH Guangnan Hong Company Limited (“GDH Guangnan Hong”) is a wholly-owned subsidiary of the Company. GDH Guangnan Hong holds 65% interest in GDH Food (Foshan) Company Limited (“GDH Food Foshan”), 51% interest in GDH Guangnan Live Pigs Trading Limited, a 13.21% 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 addition, the Company holds 100% interest in GDH Guangnan Hong (Guangdong) Company Limited (“GDH Food”).

In 2021, the revenue of the fresh and live foodstuffs business amounted to HK\$1,710,826,000, representing an increase of HK\$1,307,821,000 or 324.5% as compared to that in 2020. Together with the share of loss of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$25,604,000 (2020: share of profits of HK\$58,343,000), the segment profit was HK\$ 58,704,000, representing a decrease of HK\$ 54,635,000 or 48.2% as compared to that in 2020. Notwithstanding the decrease in the price of live pigs in 2021 as compared to last year, the sales volume of live pigs increased, leading to an increase in profit of live pigs’ distribution and self-operated business. The new slaughter business and the chilled meat wholesale and retail business in Mainland became new profit growth points. The number of slaughtered live pigs in 2021 exceeded 490,000 heads. Nevertheless, a loss was recorded by the two associates which are engaged in pig farming and sales of pigs as a result of the decrease in price of live pigs, leading to the overall decrease in segment profit.

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%, together with the active expansion in the chilled meat wholesale and retail business as well as the slaughtering business in Mainland, both of them provided a certain contribution to the earnings of the Group.

In addition, GDH Food Foshan was in the process of construction of a meat processing plant in Nanhai District, Foshan City this year and is expected to be put into operation in April 2022. After launching production, it will be a high-standard slaughterhouse integrating pig, cattle and sheep slaughtering in Nanhai District. The project capacity is designed to slaughter 6,000 pigs per day and about 2.18 million pigs per year, 200 cattle per day and about 73,000 cattle per year, and 1,000 sheep per day and about 90,000 sheep per year.

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.

Tinplating (Continued)

The revenue of the tinplating business accounted for 64.3% of the Group's revenue. In 2021, with the increased domestic demand in China, the Group produced 319,865 tonnes of tinplate products, representing an increase of 4.0% as compared to that in 2020. Among which, GDH Zhongyue and GDH Zhongyue Posco produced 200,339 tonnes and 119,526 tonnes respectively. In addition, the Group sold 322,112 tonnes of tinplate products, an increase of 3.5% as compared to that in 2020, of which, GDH Zhongyue and GDH Zhongyue Posco sold 205,870 tonnes and 116,242 tonnes respectively. Selling price of tinplate products increased during the year. The revenue was HK\$3,122,513,000, an increase of HK\$1,006,870,000 or 47.6% as compared to that in 2020. The segment profit was HK\$84,943,000, an increase of HK\$76,251,000 or 877.3% as compared to that in 2020.

Due to the intense market competition, coupled with the impact of the foreign epidemic situation and the cancellation of the export rebate policy, the Group strengthens the supply chain management of raw material procurement, so as to effectively control procurement costs. Meanwhile, the Group strived to enhance product quality and enrich product mix to increase added values, which in return gains customers' recognition. The Group also strived to make every effort in market expansion to enlarge its customer base. Accordingly, profit growth would be attained leveraging on such marketing strategies covering the whole value chain.

Property Leasing

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

In 2021, the property occupancy rate for the property leasing business of the Group was 91.2%, representing an increase of 9.1 percentage points as compared to that in 2020. Revenue was HK\$22,228,000, an increase of 14.9% as compared to that in 2020. The segment profit amounted to HK\$11,112,000, a decrease of 13.3% as compared to that in 2020. In addition, the value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$1,098,000 (2020: HK\$16,800,000) 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 2021, Yellow Dragon recorded a sales volume of 238,470 tonnes of corn starch, its major product, representing a decrease of 13.6% as compared to that in 2020. Product selling prices increased during the year. Revenue amounted to HK\$1,750,649,000, an increase of 38.7% as compared to that in 2020. Due to the decrease in gross profit per unit, Yellow Dragon turned from a profit to loss in 2021, with a loss of HK\$116,752,000 recorded. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK\$46,701,000 (2020: share of profit of HK\$2,237,000).

Consider the unstable results performance of Yellow Dragon, the Group carried out an impairment review on its interest in Yellow Dragon and no further impairment loss was provided during the year ended 31 December 2021 based on the review (2020: impairment loss of HK\$23,764,000).

In addition, the Company, together with certain other holders of equity interest in Yellow Dragon intends to dispose of their respective equity interest and is undergoing Public Tender on the China Beijing Equity Exchange. The Public Tender was still in progress.

FINANCIAL POSITION

As at 31 December 2021, the Group's total assets and total liabilities amounted to HK\$4,250,775,000 and HK\$1,342,446,000, representing an increase of HK\$935,335,000 and HK\$811,414,000 respectively when compared with the positions at the end of 2020. Net current assets decreased from HK\$1,471,485,000 at the end of 2020 to HK\$1,162,769,000 at the end of 2021. The current ratio (current assets divided by current liabilities) decreased from 4.0 at the end of 2020 to 2.0 at the end of 2021.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 31 December 2021 was HK\$969,210,000, representing an increase of 8.3% when compared with the position at the end of 2020, of which 81.8% was denominated in Renminbi, 7.4% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income decreased from HK\$17,585,000 in 2020 to HK\$12,196,000 in 2021.

As at 31 December 2021, the Group's net cash (being pledged deposits and cash and cash equivalents less borrowings) was HK\$625,773,000, a decrease of 27.2% comparing with the position at the end of 2020. As the Group was in a net cash position, no gearing ratio was presented (31 December 2020: net cash position).

As at 31 December 2021, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$2,018,038,000, of which HK\$823,368,000 was utilised and HK\$1,194,670,000 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 2021 amounted to HK\$484,610,000 (2020: HK\$54,886,000). Capital commitments outstanding at 31 December 2021 not provided for in the financial statements amounted to HK\$267,831,000 (2020: HK\$636,186,000), 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 2022 will be approximately HK\$267,831,000.

Acquisitions and Disposals of Investments

On 22 June 2021, GDH Guangnan Hong Investment Company Limited ("Guangnan Hong Investment"), which is a wholly-owned subsidiary of GDH Guangnan Hong, Guangdong Foodstuffs Imp. & Exp. (Group) Corporation, Guangzhou Jiusheng Agricultural Technology Co., Ltd and Guangdong Baojin entered into a Capital Increase Agreement for further capital injection of Guangdong Baojin. Pursuant to the agreement, each shareholder agreed to subscribe for the registered capital of Guangdong Baojin on a pro rata basis to its existing shareholding. The consideration of Guangnan Hong Investment was RMB119,000,000. Upon completion of the subscriptions, certain undistributed profits of Guangdong Baojin as at 31 December 2020 in the aggregate amount of RMB76,682,000 was converted into the registered capital of Guangdong Baojin on a pro rata basis to the shareholding of each of shareholders. Upon completion of the capital increase in August 2021, the existing shareholding in Guangdong Baojin held by Guangnan Hong Investment remains at 34%.

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 2021, deposits at bank of HK\$14,387,000 (2020: HK\$24,123,000) were pledged as securities for bills payable.

As at 31 December 2021, banking facilities amounting to HK\$539,042,000 (2020: HK\$59,410,000) were secured by mortgages over land and buildings with an aggregate carrying value of HK\$419,601,000 (2020: HK\$106,315,000). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 31 December 2021, 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 2021, forward foreign exchange contracts of USD5,000,000 (equivalent to HK\$39,000,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. 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.

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 2021, the Group had a total of 1,119 full-time employees, an increase of 48 from 1,071 at the end of 2020. 183 employees were based in Hong Kong and 936 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 2021, 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 2021

The Board announces the consolidated results of the Group for the year ended 31 December 2021, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
Revenue	3	4,855,567	2,538,001
Cost of sales		(4,392,114)	(2,278,586)
Gross profit		463,453	259,415
Other revenue	4	19,553	28,502
Other net gains	5	3,708	7,382
Selling and distribution costs		(89,320)	(68,618)
Administrative expenses		(240,592)	(159,800)
Other operating expenses		(1,500)	(3)
Profit from operations		155,302	66,878
Valuation losses on investment properties	10	(1,098)	(16,800)
Finance costs	6(a)	(704)	(2,831)
Share of (losses)/profits of associates		(72,305)	60,580
Impairment loss on interest in an associate		-	(23,764)
Profit before taxation	6	81,195	84,063
Income tax	7	(9,666)	(11,171)
Profit for the year		71,529	72,892
Attributable to:			
Equity shareholders of the Company		54,062	69,899
Non-controlling interests		17,467	2,993
Profit for the year		71,529	72,892
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	13,614
		22,690	22,690

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	2021 \$'000	2020 \$'000
Earnings per share		
Basic	9(a) <u>6.0 cents</u>	<u>7.7 cents</u>
Diluted	9(b) <u>6.0 cents</u>	<u>7.7 cents</u>
Profit for the year	<u>71,529</u>	<u>72,892</u>
Other comprehensive income for the year:		
<i>Item that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of properties upon transfer to investment properties	<u>12,995</u>	<u>-</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	53,482	94,839
- associates outside Hong Kong	9,299	19,424
- tax expense related to a subsidiary outside Hong Kong	<u>(694)</u>	<u>(1,464)</u>
Net-of-tax amount	<u>75,082</u>	<u>112,799</u>
Total comprehensive income for the year	<u>146,611</u>	<u>185,691</u>
Attributable to:		
Equity shareholders of the Company	123,917	175,717
Non-controlling interests	<u>22,694</u>	<u>9,974</u>
Total comprehensive income for the year	<u>146,611</u>	<u>185,691</u>

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
Non-current assets			
Property, plant and equipment		1,233,481	620,345
Investment properties	10	<u>286,875</u>	<u>450,265</u>
		1,520,356	1,070,610
Goodwill		1,415	1,415
Interest in associates		<u>353,908</u>	<u>279,209</u>
		<u>1,875,679</u>	<u>1,351,234</u>
Current assets			
Inventories	11	478,919	315,091
Trade and other receivables, deposits and prepayments	12	912,580	729,883
Pledged deposits		14,387	24,123
Cash and cash equivalents	13	<u>969,210</u>	<u>895,109</u>
		<u>2,375,096</u>	<u>1,964,206</u>
Current liabilities			
Trade and other payables	14	916,938	429,885
Bank loans	15	200,000	-
Loan from a fellow subsidiary		85,617	59,410
Lease liabilities		4,127	2,013
Current tax payable		<u>5,645</u>	<u>1,413</u>
		<u>1,212,327</u>	<u>492,721</u>
Net current assets		<u>1,162,769</u>	<u>1,471,485</u>
Total assets less current liabilities		3,038,448	2,822,719
Non-current liabilities			
Bank loans		72,207	-
Deferred revenue		11,491	-
Lease liabilities		11,018	717
Deferred tax liabilities		<u>35,403</u>	<u>37,594</u>
		<u>130,119</u>	<u>38,311</u>
Net assets		<u>2,908,329</u>	<u>2,784,408</u>
Capital and reserves			
Share capital		459,651	459,651
Reserves		<u>2,219,573</u>	<u>2,118,346</u>
Total equity attributable to equity shareholders of the Company		2,679,224	2,577,997
Non-controlling interests		<u>229,105</u>	<u>206,411</u>
Total equity		<u>2,908,329</u>	<u>2,784,408</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 2020 annual financial statements, except for the accounting policy changes that are reflected in the 2021 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 2021 and 2020 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 2020 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 2021 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, the distribution and trading of fresh and live foodstuffs and provision of slaughtering service. 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:

	2021 \$'000	2020 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Tinplate products	3,122,513	2,115,643
- Fresh and live foodstuffs	1,592,007	321,012
	<u>4,714,520</u>	<u>2,436,655</u>
Commission income from the distribution of fresh and live foodstuffs		
	89,576	81,993
Income from slaughtering business	29,243	-
	<u>118,819</u>	<u>81,993</u>
Revenue from other sources		
Rental income from property leasing	22,228	19,353
	<u>4,855,567</u>	<u>2,538,001</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 one (2020: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2021, revenue from sales of fresh and live foodstuffs to Customer A, including sales to entities which are known to the Group to be under common control with Customer A, amounted to approximately HK\$541,773,000. In 2020, revenue from sales tinplate products to Customer B, including sales to entities which are known to the Group to be under common control with Customer B, amounted to approximately HK\$257,001,000.

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, live and chilled foodstuffs and provides slaughtering services.
- 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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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	3,122,513	2,115,643	1,710,826	403,005	22,228	19,353	4,855,567	2,538,001
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>3,122,513</u>	<u>2,115,643</u>	<u>1,710,826</u>	<u>403,005</u>	<u>22,228</u>	<u>19,353</u>	<u>4,855,567</u>	<u>2,538,001</u>
Reportable segment profit	<u>84,943</u>	<u>8,692</u>	<u>58,704</u>	<u>113,339</u>	<u>11,112</u>	<u>12,824</u>	<u>154,759</u>	<u>134,855</u>
Reportable segment assets	2,323,602	1,935,619	1,059,273	498,919	288,137	452,114	3,671,012	2,886,652
-including interest in associates	-	-	280,056	160,309	-	-	280,056	160,309
Reportable segment liabilities	<u>735,569</u>	<u>447,624</u>	<u>545,471</u>	<u>33,328</u>	<u>44,585</u>	<u>40,563</u>	<u>1,325,625</u>	<u>521,515</u>
Depreciation for the year	<u>56,451</u>	<u>56,121</u>	<u>8,427</u>	<u>4,604</u>	<u>373</u>	<u>87</u>	<u>65,251</u>	<u>60,812</u>
Interest income	<u>5,372</u>	<u>12,079</u>	<u>1,622</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>6,994</u>	<u>12,368</u>
Write-down/(write-back) of inventories	<u>5,427</u>	<u>(1,906)</u>	<u>(927)</u>	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>(704)</u>
Additions to non-current segment assets during the year (Note)	<u>38,743</u>	<u>47,616</u>	<u>619,324</u>	<u>4,498</u>	<u>-</u>	<u>-</u>	<u>658,067</u>	<u>52,114</u>

Note: The amount includes capital injection in an associate of \$143,449,000 (2020: Nil) during the year

3. Revenue and segment reporting (Continued)

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

	<i>2021</i>	<i>2020</i>
	\$'000	\$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	154,759	134,855
Unallocated income and expenses	(25,061)	(9,634)
Valuation losses on investment properties	(1,098)	(16,800)
Finance costs	(704)	(2,831)
Share of (loss) /profit of an associate not attributable to any segment	(46,701)	2,237
Impairment loss on interest in an associate not attributable to any segment	-	(23,764)
Consolidated profit before taxation	<u>81,195</u>	<u>84,063</u>
Assets		
Reportable segment assets	3,671,012	2,886,652
Interest in an associate not attributable to any segment	73,852	118,900
Unallocated assets	<u>505,911</u>	<u>309,888</u>
Consolidated total assets	<u>4,250,775</u>	<u>3,315,440</u>
Liabilities		
Reportable segment liabilities	1,325,625	521,515
Unallocated liabilities	<u>16,821</u>	<u>9,517</u>
Consolidated total liabilities	<u>1,342,446</u>	<u>531,032</u>

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, property, plant and equipment 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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Hong Kong (place of domicile)	417,558	384,201	296,573	303,205
Mainland China	3,477,381	1,366,857	1,577,691	1,046,614
Asian countries (excluding Mainland China and Hong Kong)	449,707	484,512	-	-
Other countries	510,921	302,431	-	-
	4,438,009	2,153,800	1,577,691	1,046,614
	4,855,567	2,538,001	1,874,264	1,349,819

The analysis above includes property rental income from external customers in Hong Kong and in Mainland China of \$3,822,000 (2020: \$7,301,000) and \$18,406,000 (2020: \$12,052,000) 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

	2021 \$'000	2020 \$'000
Interest income on financial assets measured at amortised cost	12,196	17,585
Subsidies received	1,832	7,869
Others	5,525	3,048
	<u>19,553</u>	<u>28,502</u>

5. Other net gains

	2021 \$'000	2020 \$'000
Net realised and unrealised exchange gain	2,020	6,320
Net gains/(losses) on forward foreign exchange contracts	1,693	(1,528)
Gain on deemed disposal of interest in an associate	-	2,631
Net loss on disposal of property, plant and equipment	(5)	(41)
	<u>3,708</u>	<u>7,382</u>

6. Profit before taxation

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

	2021 \$'000	2020 \$'000
<i>(a) Finance costs</i>		
Interest on bank loan	1,248	1,145
Interest on loan from a fellow subsidiary	3,452	1,482
Interest on lease liabilities	664	113
Other interest expense	40	91
Total interest expense on financial liabilities not at fair value through profit or loss	<u>5,404</u>	<u>2,831</u>
Less: interest expense capitalised into construction in progress*	<u>(4,700)</u>	<u>-</u>
	<u>704</u>	<u>2,831</u>

* The borrowing costs have been capitalised at a rate of 1.20 – 4.20% per annum.

6. Profit before taxation (Continued)

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

	2021	2020
	\$'000	\$'000
(b) Staff costs		
Net contributions to defined contribution retirement plans	19,426	6,456
Salaries, wages and other benefits	216,867	182,358
	236,293	188,814
(c) Other items		
Cost of inventories sold (Note (i))	4,362,560	2,256,824
Auditors' remuneration	4,648	3,986
Depreciation charge		
- Owned property, plant and equipment	58,025	55,441
- Right-of-use assets	9,108	5,699
Variable lease payments not included in the measurement of lease liabilities	1,602	1,805
Research and development costs	95,286	48,015
Rental income from investment properties less direct outgoings of \$1,554,000 (2020: \$1,518,000)	(20,674)	(17,835)

Note:

- (i) Cost of inventories sold includes \$186,960,000 (2020: \$149,194,000) 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.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	2021 \$'000	2020 \$'000
Current tax – Hong Kong			
Provision for the year		2,207	2,296
Over-provision in respect of prior years		(983)	(20)
		<u>1,224</u>	<u>2,276</u>
Current tax – the People’s Republic of China (“PRC”)			
Provision for the year		<u>11,600</u>	<u>2,477</u>
Deferred tax			
Origination and reversal of temporary differences		<u>(3,158)</u>	<u>6,418</u>
	(i)	<u>9,666</u>	<u>11,171</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 2020.

The provision for Hong Kong Profits Tax for 2021 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 2020-21 subject to a maximum reduction of \$10,000 for each company (2020: 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).

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:*

	2021 \$'000	2020 \$'000
Interim dividend declared and paid of 1.0 cent (2020: 1.0 cent) per ordinary share	9,076	9,076
Final dividend proposed after the end of the reporting period of 1.5 cents (2020: 1.5 cents) per ordinary share	<u>13,614</u>	<u>13,614</u>
	<u>22,690</u>	<u>22,690</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:*

	2021 \$'000	2020 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents (2020: 3.0 cents) per ordinary share	<u>13,614</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 \$54,062,000 (2020: \$69,899,000) and 907,593,000 (2020: 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 2021 and 2020.

10. Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of \$103,500,000 (2020: \$288,900,000) were revalued at 31 December 2021 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 totaling \$183,375,000 (2020: \$161,365,000) were revalued at 31 December 2021 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. The chief financial officer has discussions with the surveyors about the valuation assumptions and valuation results when valuations are performed at each interim and annual report date.

Based on the revaluations, losses of \$1,098,000 (2020: \$16,800,000) have been recognised in the consolidated income statement.

11. Inventories

	<i>2021</i>	<i>2020</i>
	\$'000	\$'000
Raw materials, spare parts and consumables	221,278	155,298
Work in progress	61,133	63,153
Finished goods	196,508	96,640
	<u>478,919</u>	<u>315,091</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>2021</i>	<i>2020</i>
	\$'000	\$'000
Within 1 month	591,438	537,468
1 to 3 months	21,472	26,378
Over 3 months	20	991
	<u>612,930</u>	<u>564,837</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 and slaughtering 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>2021</i>	<i>2020</i>
	\$'000	\$'000
Deposits with banks	320,592	530,940
Cash at bank and on hand	648,618	364,169
Cash and cash equivalents in the consolidated statement of financial position	969,210	895,109

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>2021</i>	<i>2020</i>
	\$'000	\$'000
Due within 1 month or on demand	299,098	195,151
Due after 1 month but within 3 months	93,570	48,110
Due after 3 months but within 1 year	202,565	62,437
	595,233	305,698

15. Bank loans

As at 31 December 2021, the Group's available banking facilities amounted to \$2,018,038,000 (2020: \$673,888,000), which \$823,368,000 (2020: \$231,409,000) was utilised. Certain portion of the banking facilities was secured by deposits. The remaining banking facilities include \$539,042,000 (2020: \$59,410,000) which were secured by mortgages over land and buildings with an aggregate carrying value of \$419,601,000 (2020: \$106,315,000).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached.

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 2021.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2021 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 2022 Annual General Meeting of the Company (“AGM”) will be held on Friday, 10 June 2022 at 11:00 a.m. For the purpose of determining shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022 (both days inclusive), during which period no transfers of shares will be registered. 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 Monday, 6 June 2022.

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2020: HK 1.0 cent) per share was paid on 25 October 2021. The Board recommends the payment of a final dividend of HK 1.5 cents (2020: HK 1.5 cents) per share for the year ended 31 December 2021. The proposed final dividend, if approved at the AGM, is expected to be paid on Friday, 15 July 2022 to the shareholders whose names appear on the register of members of the Company on Monday, 27 June 2022.

For the purpose of determining shareholders’ entitlements to the proposed final dividend for the year ended 31 December 2021, the register of members will be closed from Thursday, 23 June 2022 to Monday, 27 June 2022 (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, 22 June 2022.

By Order of the Board
Chen Benguang
Chairman

Hong Kong, 29 March 2022

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.