



粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Formerly known as Guangnan (Holdings) Limited) (前稱廣南(集團)有限公司)
(Incorporated in Hong Kong with limited liability) (於香港註冊成立的有限公司)
(Stock code 股份代號: 01203)



ANNUAL
REPORT
年報

2020

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Corporate Information

(As at 30 March 2021)

BOARD OF DIRECTORS

Executive Directors

CHEN Benguang (*Chairman*)

HE Jinzhou (*General Manager*)

CHAU Wang Kei (*Chief Financial Officer*)

Non-Executive Director

WANG Longhai

Independent Non-Executive Directors

Gerard Joseph McMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

AUDIT COMMITTEE

Gerard Joseph McMAHON (*Chairman*)

LI Kar Keung, Caspar

WONG Yau Kar, David

COMPENSATION COMMITTEE

LI Kar Keung, Caspar (*Chairman*)

Gerard Joseph McMAHON

WONG Yau Kar, David

NOMINATION COMMITTEE

CHEN Benguang (*Chairman*)

Gerard Joseph McMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

COMPANY SECRETARY

LAW Yu Ting

AUDITORS

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of China Limited, Zhongshan Branch

Bank of China Limited, Qinhuangdao Branch
Shanhaiguan Sub-branch

Industrial and Commercial Bank of China (Asia) Limited

Industrial and Commercial Bank of China Limited,
Zhongshan Branch

Industrial and Commercial Bank of China Limited,
Qinhuangdao Branch Dongqu Sub-branch

Nanyang Commercial Bank, Limited

Agricultural Bank of China Limited,

Qinhuangdao Shanhaiguankaifaqu Sub-branch

REGISTERED OFFICE

22/F., Tesbury Centre

No. 24-32 Queen's Road East

Hong Kong

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SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

SHARE INFORMATION

Place of Listing Main Board of The Stock Exchange of
Hong Kong Limited

Stock Code 01203

Board Lot 2,000 shares

Financial Year End 31 December

SHAREHOLDERS' CALENDAR

Last Share Registration Date 11 June 2021
*(for attending Annual
General Meeting)*

Annual General Meeting 18 June 2021

Last Share Registration Date 23 June 2021
(for payment of final dividend)

*Closure of Register of
Members (for payment
of final dividend)* 24 June 2021 to
28 June 2021

Final Dividend HK1.5 cents per share

Payment Date 14 July 2021

Financial Highlights

(Expressed in Hong Kong dollars)

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

	At 31 December		
	2020 \$'000	2019 \$'000	Change
Total assets	3,315,440	3,046,807	8.8%
Shareholders' equity	2,577,997	2,438,584	5.7%
Net asset value per share ¹	\$2.84	\$2.69	5.6%
Closing market price per share	\$0.66	\$0.78	
Net cash ²	(859,822)	(927,503)	
Gearing ratio ³	-33.4%	-38.0%	

Notes:

- $$\frac{\text{Shareholders' equity}}{\text{Number of ordinary shares in issue}}$$
- Borrowings – pledged deposits, cash and cash equivalents
- $$\frac{\text{Net cash}}{\text{Shareholders' equity}}$$

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 HK7.7 cents, representing an increase of 28.3% from HK6.0 cents in 2019.

DIVIDEND

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK1.5 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.

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.

Chairman's Statement (continued)

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 tinplating business, the Group will focus on the implementation of innovation-driven development strategy. The Group will push forward strategic adjustment to its product structure 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 tinplating 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 slaughterhouse 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%.

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.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Fresh and Live Foodstuffs (continued)

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.

Management Discussion and Analysis (continued)

FINANCIAL POSITION (continued)

Liquidity and Financial Resources (continued)

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.

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.

Management Discussion and Analysis (continued)

FINANCIAL POSITION (continued)

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.

Directors' Profile

(As at 30 March 2021)

EXECUTIVE DIRECTORS

Mr. Chen Benguang, aged 56, was appointed the Chairman and an Executive Director of the Company in December 2019. He was appointed a director of GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. (formerly "Zhongshan Zhongyue Tinplate Industrial Co., Ltd.") ("GDH Zhongyue") and GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. (formerly "Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.") ("GDH Zhongyue Posco") in March 2020. He was appointed the chairman of GDH Guangnan Hong Company Limited (formerly "Guangnan Hong Company Limited") ("GDH Guangnan Hong") in April 2020. He was appointed a director of GDH Zhongyue Industrial Material Limited (formerly "Zhongyue Industry Material Limited") ("GDH Zhongyue Material") and Gain First Investments Limited ("Gain First") in July and August 2020, respectively. GDH Guangnan Hong, Gain First, GDH Zhongyue Material and GDH Zhongyue are wholly-owned subsidiaries of the Company. GDH Zhongyue Posco is a non-wholly owned subsidiary of the Company. Mr. Chen graduated from China University of Geosciences and holds a Bachelor's degree in Administrative Management. Mr. Chen was a director and the general manager of certain subsidiaries of Guangdong Land Holdings Limited ("GD Land"), the chairman of Kingway Brewery Group (Chengdu) Co., Ltd., the general manager of human resource department and administration department of GD Land between 1998 and 2016. Mr. Chen was the chairman of 廣西粵海高速公路有限公司 (Guangxi Guangdong Gonglu Company Limited) ("Guangxi Guangdong Gonglu") from September 2016 to December 2019. He was also the deputy general manager of Guangdong Investment Limited ("GDI") from January 2018 to December 2019. Guangxi Guangdong Gonglu is an indirect wholly-owned subsidiary of GDI. GD Land and GDI are subsidiaries of GDH Limited ("GDH"), which is the immediate controlling shareholder of the Company. The shares of GDI and GD Land are listed on The Stock Exchange of Hong Kong Limited.

Mr. He Jinzhou, aged 48, was appointed an Executive Director and the General Manager of the Company in October 2016. He was appointed a director of GDH Zhongyue in March 2020. He is also a director of GDH Zhongyue Material and GDH Zhongyue Posco. Mr. He graduated from the Northeastern University, the People's Republic of China (the "PRC") with a Bachelor's degree in Metallurgy of Iron and Steel. Besides, he holds an International Master's degree in Business Administration of Sloan School of Management of the Massachusetts Institute of Technology and also a qualification of senior economist. Mr. He joined the Group in 2004. In 2012, he acted as the assistant general manager of GDH Zhongyue. Mr. He was the deputy general manager of the Operational Management Department of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") for the period from October 2012 to January 2016. He was also the Deputy General Manager of the Company for the period from March to October 2016. Guangdong Holdings is the ultimate controlling shareholder of the Company.

Mr. Chau Wang Kei, aged 46, was appointed an Executive Director and the Chief Financial Officer of the Company in September 2019. He was appointed a director of Gain First, GDH Zhongyue Material and GDH Zhongyue in November 2019. Mr. Chau graduated from the Hong Kong Polytechnic University and holds a Bachelor's degree in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. Mr. Chau possesses extensive experience in financial management, accounting as well as auditing. He worked for a major certified public accountant firm. Mr. Chau worked for Guangdong Holdings for the period from May 2003 to August 2019.

Directors' Profile (continued)

(As at 30 March 2021)

NON-EXECUTIVE DIRECTOR

Mr. Wang Longhai, aged 42, was appointed a Non-Executive Director of the Company in June 2020. Mr. Wang graduated from Jiangxi University of Finance and Economics and holds a Bachelor's degree in Finance. Mr. Wang possesses extensive experience in financial management, investment and capital operation as well as business management. He worked for a certified public accountant firm and a number of large enterprises. Mr. Wang was an investment adviser of China International Capital Corporation Limited from March 2010 to April 2014. He was an assistant vice president of the Mainland Development Department of Hong Kong Exchanges and Clearing Limited from April 2014 to October 2019. Mr. Wang joined Guangdong Holdings and GDH as deputy general manager of the Investment and Capital Operations Department in October 2019 and was appointed general manager in March 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gerard Joseph McMAHON, aged 77, was appointed an Independent Non-Executive Director of the Company in June 1999. He was, until end of 1996, an executive director and a member of the Securities and Futures Commission of Hong Kong (the "SFC"), a member of the Hong Kong Takeovers and Mergers Panel and the SFC representative on the Hong Kong Standing Committee on Company Law Reform. Mr. McMahon is also a barrister in Hong Kong. He has been appointed non-executive director of a number of publicly listed companies in Hong Kong, Indonesia and Australia since 1997. Currently, Mr. McMahon is a non-executive director and the chairman of the board of directors of Indonesian Investment Fund Limited, a company listed on the Euronext Dublin (formerly known as the Irish Stock Exchange) which was delisted on 21 May 2018. He is also a non-executive director, member of the audit committee, remuneration committee and nomination committee of Tanami Gold NL, a company listed on the Australian Securities Exchange. Besides, Mr. McMahon was a director of Oriental Technologies Investment Limited (now known as Shine Metals Limited), a company listed on the Australian Securities Exchange. Mr. McMahon was an independent non-executive director, the chairman of the remuneration and corporate governance committees and a member of the audit and nomination committees of Summit Ascent Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Li Kar Keung, Caspar, aged 67, was appointed an Independent Non-Executive Director of the Company in June 1999. He is the president of a management service company. He had worked in BNP Paribas Peregrine Capital Limited. He had also worked as an investment analyst and head of Citicorp's equity research in Hong Kong. Mr. Li had also held the positions of executive director and chief financial officer of certain companies listed in Hong Kong.

Dr. Wong Yau Kar, David, GBS, JP, aged 63 was appointed an Independent Non-Executive Director of the Company in November 2017. Dr. Wong holds a doctorate in Economics from the University of Chicago. He has extensive experience in manufacturing, direct investment and international trade. Dr. Wong actively participates in public services. He is a Hong Kong deputy of the 13th National People's Congress of the People's Republic of China (第十三屆全國人民代表大會). Dr. Wong is also an independent non-executive director of four other Hong Kong listed companies, namely, Sinopec Kantons Holdings Limited, Huayi Tencent Entertainment Company Limited, Shenzhen Investment Limited and Redco Properties Group Limited. Dr. Wong was an independent non-executive director of Yunfeng Financial Group Limited, Concord New Energy Group Limited. Dr. Wong resigned as an independent non-executive director of CSSC (Hong Kong) Shipping Company Limited on 10 November 2020. Dr. Wong was appointed as the Chairman of the Council of The Education University of Hong Kong with effect from 1 January 2021.

SENIOR MANAGEMENT

The senior management of the Group comprises the Executive Directors above, namely, Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei.

Report of the Directors

The directors (the "Directors") of GDH Guangnan (Holdings) Limited (the "Company") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The subsidiaries of the Company are primarily engaged in manufacturing and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading. The Group's principal activities are mainly carried out in Hong Kong and in Mainland China.

The analysis of the principal activities and geographical locations of the businesses of the Group during the year are set out in note 3 to the financial statements.

RESULTS AND DIVIDENDS

The Group's consolidated results for the year ended 31 December 2020 and the Group's financial position as at that date are set out in the financial statements on pages 37 to 117.

An interim dividend of HK1.0 cent (2019: HK1.0 cent) per share was paid on 23 October 2020. The Directors recommended the payment of a final dividend of HK1.5 cents (2019: HK3.0 cents) per share for the year ended 31 December 2020.

The proposed final dividend, if approved at the 2021 Annual General Meeting of the Company (the "AGM"), is expected to be paid on Wednesday, 14 July 2021 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 28 June 2021.

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.

The register of members of the Company will be closed from Thursday, 24 June 2021 to Monday, 28 June 2021 (both days inclusive), for the purpose of determining shareholders' entitlement to the proposed final dividend, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the address as set out above not later than 4:30 p.m. on Wednesday, 23 June 2021.

Report of the Directors (continued)

DIVIDEND POLICY

The board of Directors (the “Board”) has approved and adopted a dividend policy to provide Shareholders with regular dividends (the “Dividend Policy”).

The Company considers stable and sustainable returns to Shareholders to be our goal and endeavours to maintain its stable Dividend Policy. Under the Dividend Policy, the Company intends to provide Shareholders with semi-annual dividends, and to declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group’s earnings performance, financial position, investment requirements and future prospects.

Whilst the Dividend Policy reflects the Board’s current views on the financial and cash flow position of the Group, such Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. The payment of dividend is also subject to any restrictions under the Laws of Hong Kong and the Company’s Articles of Association.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group’s future business development are provided in the Management Discussion and Analysis on pages 6 and 7 and Chairman’s Statement on pages 4 and 5 respectively.

Details of the financial risk management of the Group are shown in note 24 to the financial statements.

An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 6 to 9 of this Annual Report.

The major key performance indicators of the Group’s tinplating business are production and sales volume of tinplate products, operating revenue and segment results. The operating objectives of the Group’s tinplating business are to enhance the production and sales volume and generate profit from sales revenue, after the deduction of necessary operating expenses, through the production of tinplate products and sales to the downstream customers.

The major key performance indicators of the Group’s fresh and live foodstuffs business are market share in the live pigs supply to Hong Kong, operating revenue and segment results. The operating objectives of the Group’s fresh and live foodstuffs business are to ensure the stability of live pigs supply to Hong Kong and generate an industrial average level of profit through achieving a relatively balanced market share in the whole industrial chain operation and generating profits from operating revenue, after the deduction of necessary operating expenses, by satisfying the Hong Kong citizens’ consumption demand of fresh pork.

The major key performance indicators of the Group’s property leasing business are property occupancy rate, operating revenue and segment results. The operating objectives of the Group’s property leasing business are to ensure the occupancy of the properties and generate profit from rental income, after the deduction of necessary operating expenses, through satisfying the leasees’ leasing demand by leasing out the self-owned properties.

Report of the Directors (continued)

KEY RISK FACTORS

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgement or consult their own investment advisors before making any investment in the securities of the Company.

Risk relating to trade receivables

The Group grants credit in respect of the sales to some customers based on their creditworthiness and industry practices and this leads to trade receivables. However, customers may underperform and experience cash flow problems due to changes in market conditions and their ability to pay may be affected, which may make it more difficult for the Group to collect trade receivables from these customers. The Group has established internal control system and trade receivables management system to constantly monitor customers' creditworthiness and strictly manage the collection of trade receivables. Credit insurance will be arranged when necessary to transfer risks and minimise the risks of bad debts.

Risk relating to production safety

Although the Group spares no effort to ensure high level of safety during the production process, the Group's principal business, namely the production and sale of tinplates, involves a certain degree of danger relating to the operation of machineries during production. The Group has established a production safety system and set up designated divisions to carry out on-site management and inspection by relevant personnel and management staffs. Education about production safety is in place and infrastructures are improved to ensure the safety of the Group's operation and production.

Risk relating to fluctuations in prices of raw materials

Prices of raw materials are crucial to the production costs of the Group's tinplating business and also play a significant role in the Group's operating results. Major raw materials used in tinplates production are steel coils, steel plates and tin, the demands for which are subject to the fluctuations in macro-economic conditions, which are in turn affected by the global economic environment. In 2020, the ratio of costs of raw materials to total production cost for tinplates is 84%. The Group's profit margin and operating results will be adversely affected if the increased cost caused by the rise in the prices of raw materials cannot be transferred to the customers. The Group keeps abreast of the market prices of raw materials and has established a price prediction model by analysing various factors that affect prices of raw materials in order to assist the formulation of procurement plans. In addition, the Group will strengthen its volume and price management on its supply and sales when there is an abnormal fluctuation on the market.

Risk relating to environmental pollution

For the production of tinplate products, the Group owns and operates industrial facilities and the operation of which involves the discharge of contaminants and the storage and disposal of waste and other hazardous materials. These activities may create negative impact and damage on the environment. In this regard, the Group may be liable for any past or future damage or harm to persons or property or environmental pollution resulting from its operations. It will ensure the proper disposal of dangerous and hazardous goods, improve the standard of its environmental protection facilities, boost the capability of monitoring processes, testing and dealing with emergencies, and comply with national regulations regarding the environment.

Report of the Directors (continued)

KEY RISK FACTORS (continued)

Risk relating to the distribution right of the fresh and live foodstuffs business

In July 2007, the Hong Kong government designated the Group as the second national agent for livestock supply to Hong Kong, and this marked an important development milestone of the Group's fresh and live foodstuffs business. The fresh and live foodstuffs business of the Group relies on government policies to a certain extent, and the policy regarding livestock supply to Hong Kong, though stable at present and in the short run, may be subject to adjustments in the future. As such, the Group endeavours to improve its capacity of the market-oriented operation of fresh and live foodstuffs business, identify more suppliers and increase procurement volume in order to reduce the reliance on major suppliers and to avoid any negative impact of policy changes on the ongoing operations of its fresh and live foodstuffs business.

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and other property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

Particulars of the major investment properties of the Group are set out on page 120.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates as at 31 December 2020 are set out in notes 32 and 33 to the financial statements respectively.

SHARES ISSUED

No share was issued by the Company during the year.

RESERVES

Profit attributable to shareholders of the Company of HK\$69,899,000 (2019: HK\$54,213,000) has been transferred to reserves. Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 23(a) to the financial statements respectively.

Report of the Directors (continued)

DISTRIBUTABILITY OF RESERVES

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK\$467,816,000 (2019: HK\$502,632,000).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the largest customer for the year ended 31 December 2020 represented 10.1% of the Group's total sales, and the combined total of sales to the five largest customers accounted for 24.8% of the Group's total sales for the year.

Purchases from the largest supplier for the year ended 31 December 2020 represented 38.9% of the Group's total purchases (not including purchases of capital nature), and the combined total of purchases from the five largest suppliers accounted for 67.1% of the Group's total purchases for the year.

The largest customer of the Group is POSCO Co., Ltd. ("POSCO") and its subsidiaries. POSCO is a minority shareholder of GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd., a 66% owned subsidiary of the Group. Further details are set out in the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" on pages 118 and 119.

At no time during the year have the Directors, their associates or any shareholders of the Company, who to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interests in the major customers and suppliers.

LAWS, RULES AND REGULATIONS AND ENVIRONMENTAL ISSUES

The Company respects the laws, rules and regulations of the area in which the Group operates and is committed to the sustainable development of the environment and our society. The Group has endeavored to comply with laws and regulations regarding environmental protection. Pursuant to the Article 60 of the Environmental Protection Law of the People's Republic of China, "Where an enterprise, public institution or other producer or business operator discharges pollutants in excess of emission standards, or in excess of the total emission quota of major pollutants, the competent environmental protection administrations of the people's government at or above the county level may order it to restrict production or to suspend production for rectification; under grave circumstances, it shall be reported and be ordered by competent people's government with approval authority to suspend its operations.", it constitutes a potential risk to the tinplating business of the Group.

The Group has adopted effective environmental technologies and relevant measures to ensure its projects meet the required standards and ethics in respect of environmental protection.

For further information about the environmental policies and performance of the Company for this financial year, please refer to the environmental, social and governance report to be issued.

Report of the Directors (continued)

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that our employees, customers and suppliers and business associates are key stakeholders to the Company's success. We strive to achieve corporate sustainability through engaging our employees, providing quality services to our customers, collaborating with business partners (including suppliers and contractors) to deliver quality sustainable products and services and supporting our community.

DONATIONS

During the year, donations made by the Group amounted to HK\$34,000 (2019: HK\$34,000).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years ended 31 December 2020 is set out on pages 121 and 122.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

CHEN Benguang
HE Jinzhou
CHAU Wang Kei

Non-Executive Director

WANG Longhai (appointed on 30 June 2020)
LIANG Jianqin (resigned on 30 June 2020)

Independent Non-Executive Directors

Gerard Joseph McMAHON
LI Kar Keung, Caspar
WONG Yau Kar, David

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 92 of the Company's Articles of Association, Mr. Wang Longhai will retire at the AGM and, being eligible, offer himself for re-election.

In accordance with Article 101 of the Company's Articles of Association, Mr. Gerard Joseph McMAHON and Dr. Wong Yau Kar, David will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

Report of the Directors (continued)

RESIGNATION OF DIRECTORS

Ms. Liang Jianqin resigned as a Non-Executive Director of the Company with effect from 30 June 2020 due to work adjustment. Ms. Liang has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests and short positions in the Company

INTERESTS IN ORDINARY SHARES

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Li Kar Keung, Caspar	Personal	100,000	Long position	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 31 December 2020.

Report of the Directors (continued)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance (Cap. 622) for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2020. In addition, the Company has taken out and kept in force appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, Mr. Wang Longhai, Director, is also the general manager of the Investment and Capital Operations Department of Guangdong Holdings and GDH. GDH is a wholly-owned subsidiary of Guangdong Holdings. Guangdong Holdings and its subsidiaries other than the Group (the "Guangdong Holdings Group") have a wide range of business interests which include leasing of properties. Both the Guangdong Holdings Group and the Group have been engaged in the businesses of leasing of properties. However, the Directors are of the view that no direct or indirect competition in any material respect exists between the businesses of the Guangdong Holdings Group and those of the Group.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries that is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Details of the transactions disclosed in accordance with the Listing Rules are set out on pages 118 and 119.

Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, so far as is known to any Directors or chief executives of the Company, the following persons (other than Directors or chief executives of the Company) had, or were taken or deemed to have interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interests held
Guangdong Holdings (Note)	537,198,868	Long position	59.19%
GDH	537,198,868	Long position	59.19%

Note: The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.

Save as disclosed above, as at 31 December 2020, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO.

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

Save as disclosed in the "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" section on pages 118 and 119 of this report, neither the Company nor its subsidiaries had any contract of significance with Guangdong Holdings, the ultimate controlling shareholder of the Company, and its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Report of the Directors (continued)

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company.

AUDITOR

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of KPMG as the independent auditor of the Company will be proposed at the AGM. There was no change in auditor of the Company in any of the preceding three years.

By Order of the Board

Chen Benguang
Chairman

Hong Kong, 30 March 2021

Corporate Governance Report

BUSINESS MODEL

The principal businesses of the Group include manufacturing and sales of tinplates and related products, distribution and sales of fresh and live foodstuffs, foodstuffs trading and leasing of properties. The Group is committed to consolidating the operational development of its existing businesses in order to generate continuous and steady investment returns for shareholders. The Group draws on various “capitals”, namely choice of technology, expertise in operation, financial capital and environmentally-responsible solutions as inputs to provide good quality products.

CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with the objectives in mind that the Group has applied the principles on the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code of the Listing Rules throughout the year ended 31 December 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

CHANGES IN DIRECTORS’ INFORMATION

Dr. Wong Yau Kar, David has resigned as an independent non-executive director of CSSC (Hong Kong) Shipping Company Limited on 10 November 2020. Dr. Wong retired as the Chairman of the Mandatory Provident Fund Schemes Authority on 16 March 2021.

Commencing on 28 October 2020, the remuneration which includes basic salaries, allowances and other benefits for Mr. He Jinzhou and Mr. Chau Wang Kei amount to RMB41,667 and HK\$86,667 per month respectively.

Commencing on 28 December 2020, the remuneration which includes basic salaries, allowances and other benefits for Mr. Chen Benguang amounts to HK\$125,842 per month.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report (continued)

BOARD OF DIRECTORS

As at 31 December 2020, the Board comprised three Executive Directors, being Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei, one Non-Executive Director, being Mr. Wang Longhai, and three Independent Non-Executive Directors, being Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Ms. Liang Jianqin resigned as Non-Executive Director on 30 June 2020. Mr. Wang Longhai was appointed as Non-Executive Director on 30 June 2020.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. During the year ended 31 December 2020, the Board held seven meetings. In addition, the Chairman had held a meeting with the Independent Non-Executive Directors without the presence of other Directors in accordance with Code Provision A.2.7 of the Listing Rules.

Details of Directors' attendance at the Company's general meeting and the meetings of the Board, the Compensation Committee, the Nomination Committee, the Audit Committee and the Chairman and Independent Non-Executive Directors Meeting held during the year ended 31 December 2020 are set out below:

	General Meeting	Board Meeting	Compensation Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Chairman and Independent Non-Executive Directors Meeting
Executive Directors						
Chen Benguang	1/1	7/7		2/2		1/1
He Jinzhou	1/1	7/7				
Chau Wang Kei	1/1	7/7				
Non-Executive Director						
Wang Longhai (appointed on 30 June 2020)	0/0	3/4				
Liang Jianqin (resigned on 30 June 2020)	1/1	3/3				
Independent Non-Executive Directors						
Gerard Joseph McMahon	1/1	7/7	3/3	2/2	4/4	1/1
Li Kar Keung, Caspar	1/1	7/7	3/3	2/2	4/4	1/1
Wong Yau Kar, David	1/1	7/7	3/3	2/2	4/4	1/1

Corporate Governance Report (continued)

BOARD OF DIRECTORS (continued)

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules and considers all of the Independent Non-Executive Directors as independent. In addition, the Company has received confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David in accordance with Rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

The Board members do not have any financial, business, family or other material/relevant relationships with each other. The balanced board composition also ensures that strong independence exists across the Board. The Directors' profile is set out on pages 10 and 11 to this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

CHAIRMAN AND GENERAL MANAGER

The Chairman of the Board is Mr. Chen Benguang and the General Manager is Mr. He Jinzhou. Their roles are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Chen Benguang as the Chairman have executive responsibilities, provide leadership to the Board and ensure the proper and effective functioning of the Board in the discharge of their responsibilities. Mr. He Jinzhou as the General Manager is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of operations in fresh and live foodstuffs business and tinplating business respectively.

NON-EXECUTIVE DIRECTORS

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after his appointment and shall then be eligible for re-election. Moreover, each Non-Executive Director of the Company will hold office for a specific term expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organised by government authorities, professional bodies and industrial and commercial organisations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skill.

Corporate Governance Report (continued)

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

According to the records kept by the Company, the current Directors received trainings with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the year ended 31 December 2020.

Participation of Directors as at 31 December 2020 in continuous professional development during the year are as follows:

	Attending training courses and seminars or reading regulatory updates or information relevant to the Company or its business
Chen Benguang	✓
He Jinzhou	✓
Chau Wang Kei	✓
Wang Longhai	✓
Gerard Joseph McMahon	✓
Li Kar Keung, Caspar	✓
Wong Yau Kar, David	✓

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Policy") on 22 August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diversified Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

Corporate Governance Report (continued)

BOARD DIVERSITY POLICY (continued)

As at the date of this report, the Board comprises seven Directors. Three of them are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, professional experience, skills and knowledge.

The Nomination Committee has reviewed the Policy and considered that the Board's composition has complied with the requirement of the Policy.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under CG Code include:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance issues:

- compiled the Environmental, Social and Governance Report for the year 2020; and
- reviewed the effectiveness of the internal control and risk management system of the Company through the Internal Audit Department and the Audit Committee.

Corporate Governance Report (continued)

EMOLUMENTS OF DIRECTORS

The Company established the Compensation Committee in 1999. Details of the authority and duties of the Compensation Committee are available on the Company's website.

The Compensation Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Mr. Li Kar Keung, Caspar is the chairman of the Compensation Committee.

The Compensation Committee shall meet at least twice a year. During the year ended 31 December 2020, the Compensation Committee held three meetings to review the annual remuneration package and performance bonuses for the Executive Directors and the management of the Company and approve the remuneration package of the newly appointed Director of the Company.

Details of the Directors' emoluments are set out in note 7 to the financial statements.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee in 2005. The Nomination Committee is responsible for identifying suitable and qualified individuals to become Board members and make recommendation on appointment and re-appointment of Directors. The Board is responsible for considering and approving the appointment of Directors with a view to appointing to the Board suitable individuals with the relevant expertise and experience to enhance the constitution of a strong and diverse Board and to contribute to the functioning of the Board through their continuous participation.

Details of the authority and duties of the Nomination Committee are available on the Company's website.

The Nomination Committee comprises the Chairman of the Board, Mr. Chen Benguang and the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Mr. Chen Benguang is the chairman of the Nomination Committee.

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of Directors, succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters.

The Board adopted a nomination policy (the "Nomination Policy") on 29 October 2018 to formally set out the criteria and process in the nomination and appointment of Directors. According to the Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meeting, as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified Director candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's character and integrity, qualifications, skills, knowledge, experiences relevant to the Company's business and corporate strategy, his/her commitment to enhancing shareholder value and devoting sufficient time to effectively carry out their duties, fulfilment of the independence requirements as set out in the Listing Rules (for Independent Non-Executive Directors) and diversity on the Board. After reaching its decision, the Nomination Committee nominates relevant Director candidates to the Board for consideration. The Board then makes recommendation to shareholders in respect of the proposed appointment/re-election of Directors at general meeting.

Corporate Governance Report (continued)

NOMINATION OF DIRECTORS (continued)

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the year ended 31 December 2020, the Nomination Committee held two meetings to evaluate the structure, size and composition of the Board, to review the implementation of the Company's Board Diversity Policy, to assess the independence of the Independent Non-Executive Directors and to make recommendations to the Board on the re-election of Directors.

AUDITOR'S REMUNERATION

The remuneration of the Company's auditor, Messrs. KPMG and its other member firms, for services rendered in respect of the year ended 31 December 2020 is set out as follows:

Services rendered	Fee HK\$'000
Audit of annual financial statements	2,842
Review of interim financial report	985
Review of continuing connected transactions	158
Financial and tax due diligence service	750
	4,735

AUDIT COMMITTEE

The Audit Committee of the Company was established in 1999. Details of the authority and duties of the Audit Committee are available on the Company's website.

The Audit Committee comprises the three Independent Non-Executive Directors, Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David. Mr. Gerard Joseph McMahon is the chairman of the Audit Committee.

The Audit Committee shall meet at least four times a year. During the year ended 31 December 2020, the Audit Committee held four meetings, inter alia, to review the 2019 annual results, the 2020 interim results and the quarterly results of the Group. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Group's financial results. It also focuses on the Group's system of internal control and risk management including the adequacy of resources, qualifications and experience of staff of the Company's accounting, financial reporting and internal audit function, and their training programmes and budget. During the year ended 31 December 2020, the Audit Committee had a meeting with the external auditor without the presence of the management to discuss any areas of concerns.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged that they are responsible for overseeing the preparation of financial statements, which give a true and fair view of the consolidated financial position of the Group and of its consolidated results and consolidated cash flows in the relevant year. The responsibilities of the external auditor to the shareholders are set out in the Independent Auditor's Report on pages 34 to 36. In preparing the consolidated financial statements for the year ended 31 December 2020, the Directors have selected appropriate accounting policies, applied them consistently in accordance with the accounting principles generally accepted in Hong Kong which are pertinent to its operations and relevant to the financial statements and, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Company aims at presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects in all communications issued to shareholders, including annual and interim reports, announcements and circulars. The annual and interim results of the Company are announced in a timely manner within three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules. To further enhance the Company's level of corporate governance and transparency, the Company announced its unaudited quarterly financial information during the financial year ended 31 December 2020.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is committed to establish and maintain a sound and effective internal control and risk management system of the Group to protect the shareholders' investment and to safeguard the Group's assets and to achieve corporate objectives. Key components of internal control and risk management of the Group are set out below:

1. A defined organisational structure, with specified limits of authority and lines of responsibility, has been established.
2. Established operating policies and procedures.
3. Delegation of authority – The Directors and/or management are delegated with respective level of authority relating to certain businesses or operational objectives. Committees (e.g. Audit, Compensation and Nomination), of which their decision-making authority has been delegated by the Board, are established where necessary to review, approve and monitor particular aspect of operation of the Group.
4. Budgetary system – (i) Business plans and forecasts are prepared annually and subject to monthly review and approval by the management. With an annual budget and monthly rolling forecasts, the management are able to identify and evaluate the likelihood of the financial impact of significant business risks in the coming year and achieve the business objectives; (ii) A budgetary system in relation to monthly recurrent and major capital expenditure is in place. Any material variances against budgets are investigated, explained and approved by the respective financial controller.
5. Internal Audit Department – In order to further enhance the internal control and risk management of the Group, an internal audit department was established. The internal auditor has unrestricted access to review all aspects of the Group's activities and internal control and risk management (including reviewing the connected transactions of the Group). Any serious internal control and risk management deficiencies or fraud identified would be reported immediately to the Directors or directly to the Audit Committee. The Internal Audit Department reviews once a year the effectiveness of the intend control and risk management system for the period covered the year ended 31 December 2020.

Corporate Governance Report (continued)

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

6. Review by Audit Committee and the Board – The Directors review major business and operational activities and financial performance of the Group.
7. Comprehensive accounting system – A reliable and comprehensive accounting system is in place for the recording of financial information of the Group.
8. Monthly review by the management – Key operating and financial performance of each business segment are reviewed by the management on monthly basis. Regular meetings are held to review the business and financial performance against forecasts and business strategies to be taken.

With the assistance of Internal Audit Department, the Executive Director and Chief Financial Officer reviews, inter alia, the profile of the significant risks and how these risks have been identified, evaluated and managed, the changes since the last annual assessment in the nature and extent of significant risks, the Company's ability to respond to changes in its business and the external environment, as well as the scope and quality of management's ongoing monitoring of the risk management and internal control system. In addition, they review the work of internal audit function, the extent and frequency of communication of monitoring results to the Audit Committee which enables them to assess control of the Company and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Company's processes for financial reporting and Listing Rules compliance. They also review the results of the self-assessment on internal control.

There are also procedures including prior approval on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

During the year ended 31 December 2020, a review on the effectiveness and efficiency of material financial, operational and compliance controls and risk management procedures of the Group was made by the Board and the Audit Committee. The Board is generally satisfied with the effectiveness and adequacy of the existing internal control and risk management system of the Group. The Board acknowledges the importance of good corporate governance and will continue its efforts on enhancing the Group's internal control and risk management to support further growth of the Group.

Internal control and risk management system of the Group is designed to provide reasonable, rather than absolute, assurance against unauthorised use or disposition. It could only manage, rather than eliminate, all risks of material misstatement, error, loss or fraud.

COMPANY SECRETARY

Ms. Lo Wing Suet and Ms. Tsang Tsz Ying. Fion resigned as Company Secretary of the Company on 14 August 2020 and 28 February 2021, respectively. The Board has appointed Ms. Law Yu Ting as the Company Secretary of the Company with effect from 28 February 2021. Ms. Law is a full-time employee of the Company. She reports to the Board and is responsible for advising the Board on governance matters. Ms. Law has confirmed that she has taken no less than 15 hours of relevant professional training.

Corporate Governance Report (continued)

SHAREHOLDERS' RIGHTS

Shareholders convening an extraordinary general meeting

Pursuant to the Hong Kong Companies Ordinance (Cap. 622), shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meeting may request the directors to call a general meeting of the Company. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. Directors of the Company must call a meeting within 21 days after the date on which they become subject to the requirement. The meeting being called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors fail to call the meeting, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting. The meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting.

Shareholders' enquiries and proposals

Shareholders should direct their enquiries about their shareholdings to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or call its hotline at (852) 2862 8555.

About matters other than shares and dividends, the Chief Financial Officer or the Company Secretary of the Company are designated to respond to enquiries and proposals from the shareholders as well as the public. Enquiries and proposals can be made by mail or by phone. The contact details of the Company are set out in the "Contact Us" section of the Company's website at www.gdguangnan.com. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the shareholders and the public. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

CONSTITUTIONAL DOCUMENTS

During the year, the Articles of Association of the Company (the "Articles of Association") was amended and a new set of Articles of Association was adopted at the annual general meeting held on 15 June 2020. The main purpose of the amendment was to reflect the change of name of the Company. An up-to-date consolidated version of the Articles of Association is available on the Company's website.

By Order of the Board

Chen Benguang

Chairman

Hong Kong, 30 March 2021

Independent Auditor's Report



**Independent auditor's report to the members of
GDH Guangnan (Holdings) Limited (formerly known as Guangnan (Holdings) Limited)**
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of GDH Guangnan (Holdings) Limited (formerly known as Guangnan (Holdings) Limited) ("the Company") and its subsidiaries (together "the Group") set out on pages 37 to 117, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Valuation of inventories	
<p>Refer to note 16 to the consolidated financial statements and the accounting policies in note 1(m) to the consolidated financial statements.</p>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Inventories, which totalled HK\$315.1 million as at 31 December 2020, are stated at the lower of cost and net realisable value.</p> <p>A write-back of inventories in respect of the Group's tinplating segment amounting to HK\$1.9 million was recognised in the consolidated income statement for the year ended 31 December 2020.</p> <p>There is a risk that the net realisable value of inventories could be less than their cost at the reporting date due to the price volatility of tinplate products, particularly given the excess supply and intense competition in the industry.</p> <p>Management determines the net realisable value of inventories based its assessment of the current market situation and historical experience for similar inventories. This involves significant management judgement and estimation in estimating future selling prices and the costs of completion of work-in-progress, both of which can be inherently uncertain.</p> <p>We identified the valuation of inventories as a key audit matter because determining an appropriate write-down/back of and provision for inventories involves significant management judgement and estimation, particularly in assessing the future selling prices for tinplate products, costs of completion of work-in-progress and costs necessary to make the sale of these products, which can be inherently subjective and increase the risk of error or potential management bias.</p>	<p>Our audit procedures to assess the valuation of inventories included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of management's determination of net realisable value and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales, the basis of calculation and justification for the amount of the write-downs/back, and future purchase commitments; assessing management's estimation of the costs of converting raw materials and work-in-progress into finished goods and the related selling expenses by comparing them with actual costs incurred in the current year; comparing management's estimation of future selling prices for tinplate products with committed sales contracts and selling prices achieved subsequent to the end of the reporting period; and re-performing the calculations made by management in arriving at their year end assessment of net realisable value and write-downs/back of and provisions for inventories.

Independent Auditor's Report (continued)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Tsz Kei.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

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)	4	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		(16,800)	(10)
Finance costs	5(a)	(2,831)	(116)
Share of profits less losses of associates		60,580	(15,484)
Impairment loss on interest in an associate	14(a)	(23,764)	–
Profit before taxation	5	84,063	60,582
Income tax	6(a)	(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
Earnings per share	10		
Basic		7.7 cents	6.0 cents
Diluted		7.7 cents	6.0 cents

The notes on pages 45 to 117 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9(a).

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	72,892	54,167
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	(1,464)	892
Net-of-tax amount	112,799	(38,194)
Total comprehensive income for the year	185,691	15,973
Attributable to:		
Equity shareholders of the Company	175,717	18,439
Non-controlling interests	9,974	(2,466)
Total comprehensive income for the year	185,691	15,973

The notes on pages 45 to 117 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Non-current assets			
Investment properties	11	450,265	457,300
Other property, plant and equipment	11	620,345	592,018
		1,070,610	1,049,318
Goodwill	13	1,415	–
Interest in associates	14	279,209	231,906
Deposits and prepayments	17	–	2,153
Deferred tax assets	15(b)	–	175
		1,351,234	1,283,552
Current assets			
Inventories	16	315,091	330,719
Trade and other receivables, deposits and prepayments	17	729,883	504,668
Current tax recoverable	15(a)	–	365
Pledged deposits	18	24,123	23,890
Cash and cash equivalents	19	895,109	903,613
		1,964,206	1,763,255
Current liabilities			
Trade and other payables	20	429,885	429,090
Loan from a fellow subsidiary	21	59,410	–
Lease liabilities	22	2,013	2,081
Current tax payable	15(a)	1,413	1,186
		492,721	432,357
Net current assets		1,471,485	1,330,898
Total assets less current liabilities		2,822,719	2,614,450

Consolidated Statement of Financial Position (continued)

at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Non-current liabilities			
Lease liabilities	22	717	1,222
Deferred tax liabilities	15(b)	37,594	28,703
		38,311	29,925
NET ASSETS			
CAPITAL AND RESERVES			
Share capital	23(b)	459,651	459,651
Reserves		2,118,346	1,978,933
Total equity attributable to equity shareholders of the Company		2,577,997	2,438,584
Non-controlling interests		206,411	145,941
TOTAL EQUITY		2,784,408	2,584,525

Approved and authorised for issue by the board of directors on 30 March 2021.

Chen Benguang

Director

Chau Wang Kei

Director

The notes on pages 45 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Exchange reserve	Revaluation reserve	Special capital reserve	Other reserves	Retained profits	\$'000			
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2019	459,651	166,945	2,121	107,440	69,501	1,650,791	2,456,449	148,407	2,604,856	
Changes in equity for 2019:										
Profit for the year	-	-	-	-	-	54,213	54,213	(46)	54,167	
Other comprehensive income	-	(35,774)	-	-	-	-	(35,774)	(2,420)	(38,194)	
Total comprehensive income	-	(35,774)	-	-	-	54,213	18,439	(2,466)	15,973	
Dividends approved in respect of the previous year	9(b)	-	-	-	-	(27,228)	(27,228)	-	(27,228)	
Dividends declared in respect of the current year	9(a)	-	-	-	-	(9,076)	(9,076)	-	(9,076)	
Balance at 31 December 2019	459,651	131,171	2,121	107,440	69,501	1,668,700	2,438,584	145,941	2,584,525	

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company								Total equity \$'000
		Share capital \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Non-controlling interests		
								Total \$'000	\$'000	
Balance at 1 January 2020		459,651	131,171	2,121	107,440	69,501	1,668,700	2,438,584	145,941	2,584,525
Changes in equity for 2020:										
Profit for the year		-	-	-	-	-	69,899	69,899	2,993	72,892
Other comprehensive income		-	105,818	-	-	-	-	105,818	6,981	112,799
Total comprehensive income		-	105,818	-	-	-	69,899	175,717	9,974	185,691
Transfer to statutory reserves		-	-	-	-	963	(963)	-	-	-
Acquisition of a subsidiary	13	-	-	-	-	-	-	-	50,496	50,496
Dividends approved in respect of the previous year	9(b)	-	-	-	-	-	(27,228)	(27,228)	-	(27,228)
Dividends declared in respect of the current year	9(a)	-	-	-	-	-	(9,076)	(9,076)	-	(9,076)
Balance at 31 December 2020		459,651	236,989	2,121	107,440	70,464	1,701,332	2,577,997	206,411	2,784,408

The notes on pages 45 to 117 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Operating activities					
Profit before taxation		84,063		60,582	
Adjustments for:					
Finance costs	5(a)	2,831		116	
Interest income	4	(17,585)		(19,312)	
Valuation losses on investment properties	11(a)	16,800		10	
Net loss on disposal of property, plant and equipment	4	41		670	
Depreciation	11(a)	61,140		57,166	
Share of profits less losses of associates		(60,580)		15,484	
Impairment loss on interest in an associate		23,764		–	
Gain on deemed disposal of interest in an associate	4	(2,631)		–	
Foreign exchange (gain)/loss		(6,958)		1,565	
Net losses/(gains) on forward foreign exchange contracts	4	1,528		(2,602)	
Operating profit before changes in working capital		102,413		113,679	
Decrease/(increase) in inventories		34,556		(39,486)	
Increase in trade and other receivables, deposits and prepayments		(207,865)		(22,497)	
(Increase)/decrease in amounts due from related companies		(5,994)		11,500	
Decrease in pledged deposits		1,306		–	
(Decrease)/increase in trade and other payables		(11,798)		112,580	
(Decrease)/increase in amounts due to fellow subsidiaries		(329)		568	
Decrease in amount due to a related company		(7,594)		(7,369)	
(Decrease)/increase in amount due to an associate		(566)		135	
Cash (used in)/generated from operations		(95,871)		169,110	
Interest received		19,217		19,343	
Other interest paid		(91)		(47)	
Hong Kong Profits Tax paid, net		(1,718)		(2,439)	
PRC income tax (paid)/refunded, net		(1,751)		2,294	
Net cash (used in)/generated from operating activities			(80,214)		188,261

Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Investing activities					
Payment for the purchase of property, plant and equipment	19(d)	(51,034)		(32,597)	
Net cash inflow arising from acquisition of a subsidiary	13	47,975		–	
Proceeds from disposal of property, plant and equipment		62		332	
Dividend received from an associate		13,396		–	
Loans repayment from/(advanced to) an associate		15,969		(5,768)	
Decrease in pledged deposits		–		6,093	
Net cash generated from/(used in) investing activities			26,368		(31,940)
Financing activities					
Capital element of lease rentals paid	19(b)	(2,369)		(1,101)	
Interest element of lease rentals paid	19(b)	(113)		(69)	
Proceeds from loan from a fellow subsidiary	19(b)	56,265		–	
Proceeds from bank loans	19(b)	52,101		–	
Repayments of bank loans	19(b)	(52,101)		–	
Interest paid	19(b)	(2,779)		–	
Dividends paid to equity shareholders of the Company		(36,304)		(36,304)	
Net cash generated from/(used in) financing activities			14,700		(37,474)
Net (decrease)/increase in cash and cash equivalents			(39,146)		118,847
Cash and cash equivalents at 1 January	19(a)		903,613		794,130
Effect of foreign exchange rate changes			30,642		(9,364)
Cash and cash equivalents at 31 December	19(a)		895,109		903,613

The notes on pages 45 to 117 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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. These 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 (the “Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see note 1(i));
- investments in equity securities (see note 1(g)); and
- derivative financial instruments (see note 1(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q) or 1(r) depending on the nature of the liability.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)(ii)).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment which is measured by comparing the recoverable amount of the investment with its carrying amount (see notes 1(f) and 1(l)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(l)(i))).

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 1(l)).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(e). These investments are subsequently accounted for as follows, depending on their classification.

Investments in equity securities

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(iv).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(v)(ii).

(j) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)):

- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 1(k));
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Other property, plant and equipment (continued)

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs on related borrowed funds, to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalisation of these costs ceases and the construction in progress is transferred to relevant categories of other property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method, at the following rates per annum:

- The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
- Leasehold improvements 20% to 50% per annum
- Plant and machinery, furniture, fixtures and equipment 10% to 20% per annum
- Motor vehicles 20% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(j) and 1(l)(ii)), except for the right-of-use assets that meet the definition of investment property which are carried at fair value in accordance with note 1(i).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(v)(ii).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including pledged deposits, cash and cash equivalents, trade and other receivables, deposits and prepayments, including loans to an associate which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables, deposits and prepayments: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(v)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- goodwill; and
- investments in subsidiaries and associates in the Company's statement of financial position.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 1(I)(i) and 1(I)(ii)).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(v)).

(o) Trade and other receivables, deposits and prepayments

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(l)(i).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Borrowings

Borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Further information on the Group's contributions to retirement benefit schemes is set out in note 27.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Commission income

Commission income is recognised when the relevant services are rendered.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled or jointly controlled by a person identified in note 1(y)(i).
 - (7) A person identified in note 1(y)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operation results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(i) Impairment of assets

In accordance with accounting policy as set out in note 1(l)(ii), the Group reviews the carrying amounts of other non-current assets at the end of each reporting period to determine whether there is objective evidence of impairment. When an indication of impairment is identified, management prepares discounted cash flow forecasts to assess the differences between the carrying amount and value in use or fair value less costs of disposal (if higher) and provides for any impairment losses. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease the provision for impairment losses and affect the net asset value of the Group.

An increase or decrease in the above impairment loss would affect the results of the Group in future years.

(ii) Write-down of inventories

The Group reviews the carrying amounts of inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with accounting policy as set out in note 1(m). Management estimates the net realisable value based on the current market situation and historical experience of similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written-down or the related reversals of write-downs made in prior years and affect the Group's net asset value.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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	321,012	268,176
	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	19,353	21,295
	2,538,001	2,369,724

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) as disclosed in note 26(a)(i). Details of concentrations of credit risk are set out in note 24(a).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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.
- Segments 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.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

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.

	Tinplating		Fresh and live foodstuffs		Property leasing		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
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	2,115,643	2,022,018	403,005	326,411	19,353	21,295	2,538,001	2,369,724
Reportable segment profit	8,692	36,111	113,339	49,213	12,824	15,346	134,855	100,670
Reportable segment assets (including interest in associates)	1,935,619 -	1,808,069 -	498,919 160,309	270,228 100,280	452,114 -	458,358 -	2,886,652 160,309	2,536,655 100,280
Reportable segment liabilities	447,624	390,368	33,328	23,236	40,563	40,401	521,515	454,005
Depreciation and amortisation for the year	56,121	55,044	4,604	1,869	87	94	60,812	57,007
Interest income	12,079	9,274	289	812	-	-	12,368	10,086
(Write-back)/write-down of inventories	(1,906)	5,519	1,202	726	-	-	(704)	6,245
Additions to non-current segment assets during the year	47,616	26,307	4,498	12,840	-	-	52,114	39,147

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2020 \$'000	2019 \$'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

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) 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.

	Revenue from external customers		Specified non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'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.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE AND NET GAINS/(LOSSES)

	2020 \$'000	2019 \$'000
Other revenue		
Interest income on financial assets measured at amortised cost	17,585	19,312
Subsidies received (note (i))	7,869	1,497
Others	3,048	2,132
	28,502	22,941

- (i) The amount includes \$6,183,000 (2019:\$Nil) received from the "Employment Support Scheme" under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

	2020 \$'000	2019 \$'000
Other net gains/(losses)		
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 (note 14(c))	2,631	–
Net loss on disposal of property, plant and equipment	(41)	(670)
	7,382	(2,594)

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

	Note	2020 \$'000	2019 \$'000
(a) Finance costs			
Interest on bank loan		1,145	–
Interest on loan from a fellow subsidiary		1,482	–
Interest on lease liabilities	19(b)	113	69
Other interest expense		91	47
		2,831	116
(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	(i), 16(b)	2,256,824	2,124,933
Auditors' remuneration		3,986	4,034
Depreciation charge	11(a)		
– 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.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) 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)
	2,276	1,352
Current tax – the PRC		
Provision for the year	2,477	728
Over-provision in respect of prior years	–	(5,866)
	2,477	(5,138)
Deferred tax		
Origination and reversal of temporary differences	6,418	10,201
(i)	11,171	6,415

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.

- (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.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 \$'000	2019 \$'000
Profit before taxation	84,063	60,582
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	22,373	12,572
Tax effect of non-deductible expenses	10,948	9,377
Tax effect of non-taxable revenue	(15,923)	(6,783)
Tax effect of current year's tax losses not recognised	33	915
Tax effect of utilisation of previous years' unrecognised tax losses	(6,240)	(3,760)
Over-provision in respect of prior years	(20)	(5,906)
Actual tax expense	11,171	6,415

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020				
	Directors' fees \$'000	Basic salaries, allowances and other benefits \$'000	Retirement schemes contributions \$'000	Bonus \$'000	Total \$'000
Executive directors					
Chen Benguang	–	1,192	60	–	1,252
He Jinzhou	–	600	44	797	1,441
Chau Wang Kei	–	1,040	60	67	1,167
Non-executive director					
Wang Longhai (appointed on 30 June 2020)	–	–	–	–	–
Liang Jianqin (resigned on 30 June 2020)	–	–	–	–	–
Independent non-executive directors					
Gerard Joseph McMahon	300	–	–	–	300
Li Kar Keung, Caspar	300	–	–	–	300
Wong Yau Kar, David	300	–	–	–	300
Total	900	2,832	164	864	4,760

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS (continued)

	2019				
	Directors' fees \$'000	Basic salaries, allowances and other benefits \$'000	Retirement schemes contributions \$'000	Bonus \$'000	Total \$'000
Executive directors					
Chen Benguang (appointed on 17 December 2019)	–	–	–	–	–
He Jinzhou	–	412	34	550	996
Chau Wang Kei (appointed on 1 September 2019)	–	405	15	–	420
Tan Yunbiao (resigned on 17 December 2019)	–	1,053	447	923	2,423
Lau Kin Man (resigned on 1 September 2019)	–	1,009	50	367	1,426
Non-executive director					
Liang Jianqin	–	–	–	–	–
Independent non-executive directors					
Gerard Joseph McMahon	300	–	–	–	300
Li Kar Keung, Caspar	300	–	–	–	300
Wong Yau Kar, David	300	–	–	–	300
Total	900	2,879	546	1,840	6,165

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2019: two) are directors whose emoluments are disclosed in note 7. The aggregate emoluments in respect of the other two individuals for 2020 (2019: three) are as follows:

	2020 \$'000	2019 \$'000
Basic salaries, allowances and other benefits	2,291	2,869
Retirement schemes contributions	102	598
Bonus	286	666
	2,679	4,133

The emoluments of the two individuals with the highest emolument in 2020 (2019: three) are within the following bands:

	2020 Number of individuals	2019 Number of individuals
\$Nil – \$1,000,000	–	–
\$1,000,001 – \$1,500,000	2	2
\$1,500,001 – \$2,000,000	–	1

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 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	13,614	27,228
	22,690	36,304

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	27,228	27,228

10 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.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Ownership interests in leasehold land held for own use	Buildings held for own use	Other properties leased for own use	Leasehold improvements	Construction in progress	Plant and machinery, furniture, fixtures and equipment	Motor vehicles	Sub-total	Investment properties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation:										
At 1 January 2020	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	457,300	2,016,861
Exchange adjustments	9,120	34,758	-	-	274	55,250	580	99,982	9,765	109,747
Additions	-	706	1,796	-	30,290	20,667	1,427	54,886	-	54,886
Additions through acquisition of a subsidiary	-	-	-	-	552	65	-	617	-	617
Disposals	-	-	-	-	-	(98)	(1,284)	(1,382)	-	(1,382)
Transfer in from construction in progress	-	1,157	-	-	(2,982)	1,825	-	-	-	-
Fair value adjustment	-	-	-	-	-	-	-	-	(16,800)	(16,800)
At 31 December 2020	150,644	575,963	6,200	2,164	32,400	927,790	18,503	1,713,664	450,265	2,163,929
Representing:										
Cost	150,644	575,963	6,200	2,164	32,400	927,790	18,503	1,713,664	-	1,713,664
Valuation - 2020	-	-	-	-	-	-	-	-	450,265	450,265
	150,644	575,963	6,200	2,164	32,400	927,790	18,503	1,713,664	450,265	2,163,929
Accumulated depreciation and impairment losses:										
At 1 January 2020	51,031	294,402	1,127	2,076	-	610,942	7,965	967,543	-	967,543
Exchange adjustments	3,480	20,324	-	-	-	41,626	484	65,914	-	65,914
Charge for the year	3,363	22,922	2,336	49	-	30,230	2,240	61,140	-	61,140
Written back on disposals	-	-	-	-	-	(91)	(1,187)	(1,278)	-	(1,278)
At 31 December 2020	57,874	337,648	3,463	2,125	-	682,707	9,502	1,093,319	-	1,093,319
Net book value:										
At 31 December 2020	92,770	238,315	2,737	39	32,400	245,083	9,001	620,345	450,265	1,070,610

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

	Ownership interests in leasehold land held for own use \$'000	Buildings held for own use \$'000	Other properties leased for own use \$'000	Leasehold improvements \$'000	Construction in progress \$'000	Plant and machinery, furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:										
At 1 January 2019	144,695	547,248	324	2,164	42,583	813,173	9,720	1,559,907	460,706	2,020,613
Exchange adjustments	(3,171)	(11,994)	-	-	(932)	(17,978)	(199)	(34,274)	(3,396)	(37,670)
Additions	-	602	4,080	-	13,109	13,353	8,585	39,729	-	39,729
Disposals	-	(190)	-	-	-	(5,285)	(326)	(5,801)	-	(5,801)
Transfer in from construction in progress	-	3,676	-	-	(50,494)	46,818	-	-	-	-
Fair value adjustment	-	-	-	-	-	-	-	-	(10)	(10)
At 31 December 2019	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	457,300	2,016,861
Representing:										
Cost	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	-	1,559,561
Valuation – 2019	-	-	-	-	-	-	-	-	457,300	457,300
	141,524	539,342	4,404	2,164	4,266	850,081	17,780	1,559,561	457,300	2,016,861
Accumulated depreciation and impairment losses:										
At 1 January 2019	48,764	277,819	-	2,027	-	600,687	7,585	936,882	-	936,882
Exchange adjustments	(1,132)	(6,538)	-	-	-	(13,716)	(320)	(21,706)	-	(21,706)
Charge for the year	3,399	23,199	1,127	49	-	28,399	993	57,166	-	57,166
Written back on disposals	-	(78)	-	-	-	(4,428)	(293)	(4,799)	-	(4,799)
At 31 December 2019	51,031	294,402	1,127	2,076	-	610,942	7,965	967,543	-	967,543
Net book value:										
At 31 December 2019	90,493	244,940	3,277	88	4,266	239,139	9,815	592,018	457,300	1,049,318

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(continued)

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December	Fair value measurements as at 31 December 2020 categorised into		
	2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Investment properties:				
– Hong Kong	288,900	–	–	288,900
– The PRC	161,365	–	–	161,365

	Fair value at 31 December	Fair value measurements as at 31 December 2019 categorised into		
	2019 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Investment properties:				
– Hong Kong	305,700	–	–	305,700
– The PRC	151,600	–	–	151,600

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3 (2019: \$Nil). The Group's policy is to recognise transfers between the levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(continued)

(b) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

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. 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.

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable input	Range	Weighted average
Hong Kong	Income capitalisation approach	Term yield	2.5% to 3.0% (2019: 2.5% to 3.0%)	2.8% (2019: 2.8%)
		Reversionary yield	2.8% to 3.3% (2019: 2.8% to 3.3%)	3.0% (2019: 3.0%)
		Market rent per square foot per month	\$50 to \$58 (2019: \$50 to \$61)	\$54 (2019: \$55)
The PRC	Market comparison approach	Market price per square foot	\$91 to \$163 (2019: \$85 to \$153)	\$138 (2019: \$130)
		Income capitalisation approach	Term yield	4.1% to 7.0% (2019: N/A)
	Income capitalisation approach	Reversionary yield	4.1% to 7.0% (2019: N/A)	5.5% (2019: N/A)
		Market rent per square foot per month	\$82 to \$107 (2019: N/A)	\$96 (2019: N/A)

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(continued)

(b) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

The fair value of investment properties located in Hong Kong and certain investment properties located in the PRC is determined by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value measurement is positively correlated to the market rent per square foot per month, and negatively correlated to the term yield and reversionary yield.

The fair value of certain investment properties located in the PRC is determined using a market comparison approach by reference to recent sales prices for comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings and land compared to the recent sales. Higher premiums for higher quality buildings and land will result in a higher fair value measurement.

The movements during the period in the balance of these Level 3 fair value measurements are set out in note 11(a).

Fair value adjustment of investment properties is recognised in the line item "valuation losses on investment properties" on the face of the consolidated income statement.

Exchange adjustment of investment properties is recognised in other comprehensive income in "exchange reserve".

All the losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(continued)

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	31 December 2020 \$'000	1 January 2020 \$'000
Ownership interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term between 10 and 50 years	(i)	92,770	90,493
Other properties leased for own use, carried at depreciated cost	(ii)	2,737	3,277
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term of:			
– 50 years or more		288,900	305,700
– between 10 and 50 years		161,365	151,600
		450,265	457,300
		545,772	551,070

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(continued)

(c) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 \$'000	2019 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land for own use	3,363	3,399
Other properties leased for own use	2,336	1,127
	5,699	4,526
Interest on lease liabilities (note 5(a))	113	69
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	4,209	4,693
Variable lease payments not included in the measurement of lease liabilities	1,805	1,678

During the year ended 31 December 2020, additions to right-of-use assets were \$1,796,000 (2019: \$4,080,000), which related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(c) and 22, respectively.

(i) Ownership interests in leasehold land held for own use

The Group is the registered owner of the land on which industrial buildings for its tinplating business are located. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office and processing centre through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(continued)

(d) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 10 years (2019: 1 to 28 years), with an option to renew the leases upon expiry at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 \$'000	2019 \$'000
Within 1 year	22,504	23,789
After 1 year but within 2 years	16,241	19,012
After 2 years but within 3 years	14,337	13,822
After 3 years but within 4 years	9,468	12,152
After 4 years but within 5 years	3,916	6,475
After 5 years	4,342	4,437
	70,808	79,687

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INTEREST IN SUBSIDIARIES

Details of the principal subsidiaries are set out in note 32.

The following table lists out the information relating to GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("GDH Zhongyue Posco" and formerly known as Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.), a subsidiary of the Group which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	GDH Zhongyue Posco	
	2020 \$'000	2019 \$'000
NCI percentage	34%	34%
Current assets	346,759	277,213
Non-current assets	158,326	151,445
Current liabilities	(152,907)	(106,406)
Non-current liabilities	(1,445)	(1,201)
Net assets	350,733	321,051
Carrying amount of NCI	118,443	108,365
Revenue	698,068	698,972
Profit for the year	8,527	5,578
Total comprehensive income	29,682	(1,590)
Profit allocated to NCI	2,935	1,895
Cash flows from operating activities	(19,320)	(22,538)
Cash flows from investing activities	(1,509)	(301)
Cash flows from financing activities	53,486	(83,723)

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 GOODWILL AND BUSINESS COMBINATION

	2020 \$'000
Carrying amount at 1 January	–
Acquisition of a subsidiary	1,415
Carrying amount at 31 December	1,415

On 22 December 2020, GDH Guangnan Hong Company Limited (“GDH Guangnan Hong” and formerly known as Guangnan Hong Company Limited), a wholly owned subsidiary of the Company, entered into a capital injection agreement with GDH Food (Foshan) Company Limited (“GDH Food Foshan” and formerly known as Foshan Nanhai Runyuan Food Co., Ltd.) 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 \$95,194,000) and RMB40,000,000 (equivalent to approximately of \$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.

The Group had elected to measure the non-controlling interests in the GDH Food Foshan at the non-controlling interests’ proportionate share of the entity’s identifiable net assets.

The fair value of the identifiable assets and liabilities of the GDH Food Foshan as at the date of acquisition are set out as follows:

	\$'000
Other property, plant and equipment	617
Trade and other receivables	718
Cash and cash equivalents	143,169
Trade and other payables	(229)
Total identifiable net assets at fair values	144,275
Non-controlling interests	(50,496)
Equity interest acquired	93,779
Goodwill on acquisition	1,415
	95,194
Satisfied by:	
Cash	95,194

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 GOODWILL AND BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition is as follows:

	\$'000
Cash consideration	(95,194)
Cash and cash equivalent acquired	143,169
	47,975

14 INTEREST IN ASSOCIATES

Details of the associates are set out in note 33.

All of the associates are accounted for using the equity method in the consolidated financial statements.

(a) Impairment loss on interest in an associate

The recoverable amount of the Group's investment in Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") was determined based on value-in-use calculations. These calculations use cash flow projections based on financial projections approved by management covering an eight-year period, and a pre-tax discount rate of 16.02%. Cash flows beyond the eight-year period are extrapolated using a growth rate of 3%. As the recoverable amount of Yellow Dragon is less than the carrying amount, an impairment loss of \$23,764,000 (2019: \$Nil) was provided during the year ended 31 December 2020.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTEREST IN ASSOCIATES (continued)

(b) Summarised financial information of associates

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Yellow Dragon Food Industry Co., Ltd.	
	2020	2019
	\$'000	\$'000
Gross amounts of the associate's		
Current assets	666,517	513,771
Non-current assets	260,112	255,447
Current liabilities	(565,209)	(434,788)
Non-current liabilities	(4,761)	(5,364)
Shareholders' equity	356,659	329,066
Revenue	1,262,091	1,360,934
Profit/(loss) for the year	5,593	(88,162)
Other comprehensive income	22,000	(7,794)
Total comprehensive income	27,593	(95,956)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	356,659	329,066
Group's effective interest	40%	40%
Group's share of net assets of the associate	142,664	131,626
Impairment loss of the associate	(23,764)	–
Carrying amount in the consolidated financial statements	118,900	131,626

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTEREST IN ASSOCIATES (continued)

(b) Summarised financial information of associates (continued)

Aggregate information of associates that are not individually material:

	2020 \$'000	2019 \$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	160,309	100,280
Aggregate amounts of the Group's share of the associates'		
– Profits less losses for the year	58,343	19,781
– Other comprehensive income	10,623	(2,714)
– Total comprehensive income	68,966	17,067

(c) Deemed disposal of interest in an associate

During the year ended 31 December 2020, an associate of the Group, Hubei Jinxu Agriculture Development Co., Ltd. ("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 \$2,631,000 (2019: \$Nil). Management considers that the Group is able to exercise significant influence over Hubei Jinxu as a result of representation on the board of directors and material transactions between two entities and, therefore, has accounted for the investment as an associate.

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020 \$'000	2019 \$'000
Provision for Hong Kong Profits Tax for the year	2,296	1,392
Provisional Profits Tax paid	(1,312)	(607)
	984	785
Balance of Profits Tax provision relating to prior years	–	(365)
Taxation outside Hong Kong	429	401
	1,413	821
Representing:		
Current tax recoverable	–	(365)
Current tax payable	1,413	1,186
	1,413	821

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties and other property, plant and equipment	Write-down of inventories	Withholding tax on undistributed profits of PRC subsidiaries and associates	Tax loss	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax arising from:							
At 1 January 2020	13,098	15,096	(2,313)	8,509	(5,145)	(717)	28,528
Exchange adjustments	308	989	(90)	277	(266)	(34)	1,184
(Credited)/charged to profit or loss	(656)	212	1,295	5,715	(298)	150	6,418
Charged to exchange reserve	-	-	-	-	1,464	-	1,464
At 31 December 2020	12,750	16,297	(1,108)	14,501	(4,245)	(601)	37,594
At 1 January 2019	12,829	14,935	(1,051)	6,579	(12,796)	(789)	19,707
Exchange adjustments	(269)	(338)	45	(84)	142	16	(488)
Charged/(credited) to profit or loss	538	499	(1,307)	2,014	8,401	56	10,201
Credited to exchange reserve	-	-	-	-	(892)	-	(892)
At 31 December 2019	13,098	15,096	(2,313)	8,509	(5,145)	(717)	28,528

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

(b) Deferred tax assets and liabilities recognised: (continued)

	2020 \$'000	2019 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	(175)
Net deferred tax liabilities recognised in the consolidated statement of financial position	37,594	28,703
	37,594	28,528

(c) Deferred tax assets not recognised:

	2020 \$'000	2019 \$'000
Future benefit of tax losses	364,217	368,872

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately \$2.2 billion (2019: approximately \$2.2 billion) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under the current tax legislation, except for an amount of \$100,586,000 (2019: \$101,749,000) which will expire within five years.

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2020 \$'000	2019 \$'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

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVENTORIES (continued)

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 \$'000	2019 \$'000
Carrying amount of inventories sold	2,257,528	2,118,688
(Write-back)/write-down of inventories	(704)	6,245
	2,256,824	2,124,933

17 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 \$'000	2019 \$'000
Trade debtors	324,209	225,866
Bills receivable	231,083	154,554
Other receivables, deposits and prepayments	164,067	91,278
Amount due from a related company (note (i))	9,545	3,551
Amounts due from associates (note (ii))	948	14,727
Loans to an associate (note (iii))	–	15,969
Derivative financial instruments (note 24(e))	31	876
	729,883	506,821
Less: Deposits and prepayments (non-current portion) (note (iv))	–	(2,153)
Trade and other receivables, deposits and prepayments (current portion) (note (v))	729,883	504,668

Notes:

- (i) The amounts represent trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) As at 31 December 2020 and 2019, the amounts due from associates represented interest and dividend receivables (net of withholding taxes) from associates which were unsecured, interest-free and recoverable on demand.
- (iii) As at 31 December 2019, the loans to an associate were unsecured, interest-bearing at 5.0% per annum and repayable within one year.
- (iv) As at 31 December 2019, the deposits and prepayments (non-current portion) represented deposits mainly for acquisition of equipment in relation to other property, plant and equipment.
- (v) All of the trade and other receivables, deposits and prepayments of the Group are expected to be recovered or recognised as expense within one year for both years.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Ageing analysis

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:

	2020 \$'000	2019 \$'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

The Group maintains a defined policy with credit periods ranging from advance payment to not more than 180 days.

Further details on the Group's credit policy and credit risk arising from trade debtors, bills receivable and trade balances due from a related company are set out in note 24(a).

18 PLEDGED DEPOSITS

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

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

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

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank Loan	Loan from a fellow subsidiary	Lease liabilities (Note 22)	Total
	\$'000	\$'000	\$'000	\$'000
At 1 January 2020	–	–	3,303	3,303
Changes from financing cash flows:				
Capital element of lease rentals paid	–	–	(2,369)	(2,369)
Interest element of lease rentals paid	–	–	(113)	(113)
Proceeds from loan from a fellow subsidiary	–	56,265	–	56,265
Proceeds from bank loans	52,101	–	–	52,101
Repayments of bank loans	(52,101)	–	–	(52,101)
Interest paid	(1,145)	(1,634)	–	(2,779)
Total changes from financing cash flows	(1,145)	54,631	(2,482)	51,004
Exchange adjustments	–	3,297	–	3,297
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	1,796	1,796
Interest expenses (note 5(a))	1,145	1,482	113	2,740
Total other changes	1,145	1,482	1,909	4,536
At 31 December 2020	–	59,410	2,730	62,140

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Lease liabilities (Note 22) \$'000
At 1 January 2019	324
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,101)
Interest element of lease rentals paid	(69)
Total changes from financing cash flows	(1,170)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	4,080
Interest expenses (note 5(a))	69
Total other changes	4,149
At 31 December 2019	3,303

(c) Total cash outflow for leases

Amounts included in the cash flow statement for lease rentals paid comprise the following:

	2020 \$'000	2019 \$'000
Within operating cash flows	6,014	6,371
Within financing cash flows	2,482	1,170
	8,496	7,541

(d) Non-cash transactions

As at 31 December 2020, the Group had payables in relation to the additions of property, plant and equipment of \$4,540,000 (2019: \$4,485,000) which were included in trade and other payables. These additions have no cash flow impact to the Group.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 TRADE AND OTHER PAYABLES

	2020 \$'000	2019 \$'000
Trade creditors	41,380	45,928
Bills payable	209,168	214,821
Other payables and accrued charges	101,996	83,448
Contract liabilities	21,163	20,280
Amount due to a related company (note (i))	54,891	62,485
Amount due to an associate (note (ii))	313	825
Amounts due to fellow subsidiaries (note (iii))	974	1,303
	429,885	429,090

Notes:

- (i) The amount represents trade balances due to a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) The amount represents trade balance due to an associate.
- (iii) The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.
- (iv) All of the Group's trade and other payables are expected to be settled or recognised as income within one year except for an amount of \$225,000 (2019: \$2,309,000), which is expected to be settled or recognised as income after more than one year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sale of tinsplate products

When the Group receives a deposit before the sale activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the sale exceeds the amount of the deposit. The amount of the deposit is negotiated on a case by case basis with customers.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 TRADE AND OTHER PAYABLES (continued)

Movements in contract liabilities

	2020 \$'000	2019 \$'000
Balance at 1 January	20,280	27,631
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(20,280)	(27,631)
Increase in contract liabilities as a result of receiving deposits during the year	21,163	20,280
Balance at 31 December	21,163	20,280

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	62,437	59,063
	305,698	324,059

21 LOAN FROM A FELLOW SUBSIDIARY

As at 31 December 2020, the loan from a fellow subsidiary was unsecured, interest-bearing at 4.35% per annum and repayable within one year.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 LEASE LIABILITIES

As at 31 December 2020, the lease liabilities were repayable as follows:

	2020 \$'000	2019 \$'000
Within 1 year	2,013	2,081
After 1 year but within 2 years	717	1,222
	2,730	3,303

23 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital \$'000	Special capital reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2019	459,651	107,440	730,729	1,297,820
Changes in equity for 2019:				
Total comprehensive income for the year	–	–	66,207	66,207
Dividends approved in respect of the previous year	–	–	(27,228)	(27,228)
Dividends declared in respect of the current year	–	–	(9,076)	(9,076)
Balance at 31 December 2019 and 1 January 2020	459,651	107,440	760,632	1,327,723
Changes in equity for 2020:				
Total comprehensive income for the year	–	–	(15,312)	(15,312)
Dividends approved in respect of the previous year	–	–	(27,228)	(27,228)
Dividends declared in respect of the current year	–	–	(9,076)	(9,076)
Balance at 31 December 2020	459,651	107,440	709,016	1,276,107

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 CAPITAL AND RESERVES (continued)

(b) Share capital

	2020		2019	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	907,593	459,651	907,593	459,651

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policy set out in note 1(i).

(ii) Special capital reserve

The special capital reserve was created under the capital reorganisation of the Company which was completed in 2005. The Company had given an undertaking to the High Court of Hong Kong in relation to the amount credited to such reserve to the effect that such reserve will not be treated as realised profits and will not be distributable unless and until certain conditions have been fulfilled.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(iv) Other reserves represent statutory reserves of entities established in the PRC.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 CAPITAL AND RESERVES (continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's capital comprises its equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of 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. It is the Group's strategy to keep the gearing ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or realise assets to reduce debt. At 31 December 2020 and 2019, the gearing ratio of the Group was as follows:

	2020 \$'000	2019 \$'000
Borrowings	59,410	–
Less: Pledged deposits	(24,123)	(23,890)
Cash and cash equivalents	(895,109)	(903,613)
Net cash	(859,822)	(927,503)
Equity attributable to equity shareholders of the Company	2,577,997	2,438,584
Gearing ratio	–33.4%	–38.0%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and trade balances due from related companies. The Group's exposure to credit risk arising from pledged deposits, cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are major financial institutions in the PRC and Hong Kong, for which the Group considers to have low credit risk.

Other receivables, deposits and prepayments, amounts due from associates and loans to an associate are reviewed regularly, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade debtors and trade balances due from related companies

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6.6% (2019: 6.4%) and 24.2% (2019: 25.3%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and there are insurance contracts to cover the potential exposure to credit risk of certain customers in the tinplating business, the allowance for expected credit losses is insignificant.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade debtors and trade balances due from related companies (continued)

The following table provides information about the Group's exposure to credit risk and ageing analysis of trade debtors and trade balances due from related companies as at 31 December 2020:

	Gross carrying amount	
	2020 \$'000	2019 \$'000
Current (not past due)	332,399	223,252
Less than 1 month past due	265	3,856
1 to 3 months past due	105	1,495
More than 3 months but less than 12 months past due	985	814
Amounts past due	1,355	6,165
	333,754	229,417

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management. However, except for placing fixed deposits with major financial institutions, the individual operating entities require approval from the Company regarding short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group is required to pay.

	2020					Carrying amount at 31 December \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Trade and other payables	408,497	225	–	–	408,722	408,722
Lease liabilities	2,071	731	–	–	2,802	2,730
Loan from a fellow subsidiary	60,451	–	–	–	60,451	59,410
	471,019	956	–	–	471,975	470,862

	2019					Carrying amount at 31 December \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Trade and other payables	406,501	2,084	225	–	408,810	408,810
Lease liabilities	2,168	1,237	–	–	3,405	3,303
	408,669	3,321	225	–	412,215	412,113

As at 31 December 2020, the Group's available banking facilities amounted to \$673,888,000 (2019: \$504,453,000), which \$231,409,000 (2019: \$219,557,000) was utilised. Certain portion of the utilised banking facilities was secured by deposits (see note 18). The remaining unutilised banking facilities include \$59,410,000 (2019: \$Nil) which were secured by mortgages over land and buildings with an aggregate carrying value of \$106,315,000 (2019: \$Nil).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents, loan from a fellow subsidiary and lease liabilities. Borrowings and lendings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group has not used financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings and lendings (being interest-bearing borrowings less pledged deposits, cash and cash equivalents and interest-bearing lendings) at the end of the reporting period.

	2020		2019	
	Effective interest rate per annum	\$'000	Effective interest rate per annum	\$'000
Fixed rate borrowings:				
Lease liabilities	3.7%	2,730	3.7%	3,303
Loan from a fellow subsidiary	4.35%	59,410	–	–
Fixed rate lendings:				
Deposits with banks	0.88%	(530,940)	2.23%	(695,776)
Loans to an associate	–	–	5.0%	(15,969)
Variable rate lendings:				
Pledged deposits, cash at bank and on hand	0.11%	(388,292)	0.15%	(231,727)
Total net lending		(857,092)		(940,169)

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase of 100 (2019: 100) basis points or a general decrease of 10 (2019: 10) basis points in interest rates, with all other variables held constant, would have led to an increase of approximately \$3,150,000 (2019: \$1,928,000) or a decrease of approximately \$315,000 (2019: \$193,000) respectively in the Group's profit after taxation and retained profits.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2019.

(d) Currency risk

The Group is exposed to 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.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities (other than inter-company loans and current accounts) denominated in a currency other than the functional currency of the entity to which they relate.

	2020	
	United States Dollars '000	Renminbi '000
Trade and other receivables, deposits and prepayments	13,541	–
Cash and cash equivalents	23,952	11,882
Trade and other payables	(7,882)	(90)
Gross exposure arising from recognised assets and liabilities	29,611	11,792

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

	2019	
	United States Dollars '000	Renminbi '000
Trade and other receivables, deposits and prepayments	11,509	11,679
Cash and cash equivalents	27,610	16,247
Trade and other payables	(9,795)	(327)
Gross exposure arising from recognised assets and liabilities	29,324	27,599

At 31 December 2020, the Group was also exposed to currency risk arising from intercompany current accounts amounting to US\$2,501,000 (equivalent to \$19,508,000) (2019: US\$2,039,000 (equivalent to \$15,904,000)), HK\$1,309,000 (2019: HK\$1,309,000) and RMB16,808,000 (equivalent to \$19,971,000) (2019: RMB17,153,000 (equivalent to \$19,148,000)) which were not in the functional currency of the relevant companies.

Furthermore, at 31 December 2020, forward foreign exchange contracts of notional amounts totalling US\$3,500,000 (equivalent to \$27,300,000) (2019: US\$21,500,000 (equivalent to \$167,700,000)) against Renminbi were entered into by the Group for hedging the currency risk of forecast transactions. Changes in the fair value of forward foreign exchange contracts are recognised in profit or loss and their net fair values at 31 December 2020 of \$31,000 (2019: \$876,000) were recognised as derivative financial instruments and included in trade and other receivables, deposits and prepayments (note 17).

(ii) Sensitivity analysis

The sensitivity analysis set out below indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

At 31 December 2020, it is estimated that if United States Dollars had weakened or strengthened by 3% (2019: 3%) against Renminbi with all other variables held constant, the Group's profit after taxation and retained profits would have been decreased or increased by \$1,933,000 (2019: \$3,793,000) respectively.

At 31 December 2020, it is estimated that if Renminbi had strengthened or weakened by 3% (2019: 3%) against Hong Kong Dollars with all other variables held constant, the Group's profit after taxation and retained profits would have been increased or decreased by \$930,000 (2019: \$1,537,000) respectively.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

The analysis is prepared under the assumption that, the pegged rate between Hong Kong Dollars and United States Dollars would be materially unaffected by any changes in movement in value of United States Dollars against other currencies. That is, for entities with Hong Kong Dollars as their functional currency, United States Dollars denominated assets and liabilities are assumed to have no currency risk exposure.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2019.

(e) Fair value measurement

(i) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Valuation reports on fair value measurement of financial instruments are prepared by the financial institutions. The chief financial officer has discussions with these financial institutions about the valuation assumptions and valuations results when the valuations are performed at each interim and annual reporting date.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(i) Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December	Fair value measurements as at 31 December 2020 categorised into		
	2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements:				
Asset:				
Forward foreign exchange contracts (note 17)	31	–	31	–

	Fair value at 31 December	Fair value measurements as at 31 December 2019 categorised into		
	2019 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements:				
Asset:				
Forward foreign exchange contracts (note 17)	876	–	876	–

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between the levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant yield curve as at the end of the reporting period plus an adequate constant credit spread.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(e) Fair value measurement (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

25 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020 \$'000	2019 \$'000
Contracted for	49,913	11,282
Authorised but not contracted for	586,273	23,014
	636,186	34,296

- (b) At 31 December 2020, the Group had committed to provide additional capital of \$6,489,000 (2019: \$6,489,000) to an associate of the Group.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with related parties

The Group had the following transactions with the related parties during the year which the directors consider to be material:

	Note	2020 \$'000	2019 \$'000
Sales of goods to related companies	(i)	257,001	273,590
Commission paid/payable to a related company	(i), (ii)	854	976
Commission received/receivable from associates	(iii)	23,687	13,216
Interest income received/receivable from an associate	(iv)	207	676
Interest expense paid/payable to a fellow subsidiary	(v)	1,482	–
Purchases of goods from associates	(vi)	16,204	12,313
Purchases of goods from related companies including transport services fee paid/payable	(i)	326,040	272,586
Purchases of electricity from a fellow subsidiary	(vii)	36,006	30,231

Notes:

- (i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd. and its subsidiaries ("POSCO Group").
- (ii) This represents commission in respect of export distribution services provided by a related company.
- (iii) This represents commission earned for services rendered to associates in respect of distribution of fresh and live foodstuffs.
- (iv) This represents interest income from loans to an associate.
- (v) This represents interest expense on loan from a fellow subsidiary.
- (vi) This represents purchases of goods from associates in respect of trading of fresh and live foodstuffs.
- (vii) This represents purchases of electricity from a fellow subsidiary in respect of production of tinsplates and related products.
- (viii) Balances with related parties at 31 December and their settlement terms are disclosed in notes 17 and 20 in the financial statements.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions with POSCO Group and that in respect of purchases of electricity from a fellow subsidiary above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are set out in "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" section of the annual report on pages 118 and 119. The related party transactions in respect of distribution and trading of fresh and live foodstuffs with associates and loans to an associate do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions disclosed elsewhere in these financial statements, the Group also conducts business activities with other state-controlled entities which include but are not limited to the following:

- Sales and purchase of goods and ancillary materials;
- Rendering and receiving services;
- Lease of assets; and
- Purchase of property, plant and equipment.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled or not.

Having considered the potential transactions impacted by related party relationships, the Group's pricing strategy, buying and approval process, and what information would be necessary for an understanding of the potential effects of the transactions on the financial statements, the directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2020 \$'000	2019 \$'000
Short-term employee benefits	3,696	4,719
Post-employment benefits	164	546
	3,860	5,265

Total remuneration is included in "staff costs" (see note 5(b)).

27 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution retirement schemes pursuant to the local labour rules and regulations.

For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are not used by the employer to reduce any future contributions.

The Group's pension cost charged to the consolidated income statement for the year ended 31 December 2020 was \$6,456,000 (2019: \$15,202,000).

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 \$'000	2019 \$'000
Non-current assets			
Investment properties		290,900	307,900
Other property, plant and equipment		1,078	900
		291,978	308,800
Interest in subsidiaries		316,280	316,264
Interest in an associate		118,900	164,278
Loan to a subsidiary		78,000	–
		805,158	789,342
Current assets			
Receivables, deposits and prepayments		19,677	26,355
Loans to subsidiaries		155,500	160,000
Cash and cash equivalents		307,420	362,663
		482,597	549,018
Current liabilities			
Other payables		11,648	10,637
		470,949	538,381
NET ASSETS		1,276,107	1,327,723
CAPITAL AND RESERVES			
Share capital	23(a)	459,651	459,651
Reserves		816,456	868,072
TOTAL EQUITY		1,276,107	1,327,723

Approved and authorised for issue by the board of directors on 30 March 2021.

Chen Benguang
Director

Chau Wang Kei
Director

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate and ultimate holding company at 31 December 2020 to be GDH Limited and Guangdong Holdings Limited respectively. GDH Limited is incorporated in Hong Kong and Guangdong Holdings Limited is established in the PRC. Guangdong Holdings Limited produces financial statements available for public use.

30 SUBSEQUENT EVENTS

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9(a).

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 LIST OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries which principally affected the results, assets and liabilities of the Group at 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation or establishment/ place of operations	Class of shares held	Particulars of issued and paid up capital/ registered capital	Proportion of nominal value of registered capital held by the Company	Proportion of issued capital/ registered capital held by a subsidiary	Principal activities
GDH Guangnan Hong Company Limited (formerly known as Guangnan Hong Company Limited)	Hong Kong	Ordinary	\$73,916,728	100%	–	Distribution and sales of fresh and live foodstuffs and foodstuffs trading
GDH Guangnan Live Pigs Trading Limited (formerly known as Guangnan Live Pigs Trading Limited)	Hong Kong	Ordinary	\$12,000,000	–	51%	Distribution of live pigs
GDH Zhongyue Industrial Material Limited (formerly known as Zhongyue Industry Material Limited)	Hong Kong	Ordinary Non-voting deferred	\$10 \$230,000,000	–	100%	Investment holding
GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. (formerly known as Zhongshan Zhongyue Tinplate Industrial Co., Ltd.) ^{# ^}	The PRC	N/A	US\$84,252,800	–	100%	Production and sales of tinplate products and property leasing
GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. (formerly known as Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.) ^{* ^}	The PRC	N/A	US\$30,000,000	–	66%	Production and sales of tinplate products
GDH Food (Foshan) Company Limited (formerly known as Foshan Nanhai Runyuan Food Co., Ltd.) ^{* ^}	The PRC	Ordinary	RMB122,857,200	–	65%	Provision of slaughter business

[#] a wholly foreign-owned enterprise

^{*} an equity joint venture

[^] companies not audited by KPMG

Notes to the Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 DETAILS OF ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of establishment and operations	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Company a subsidiary		Principal activities
Yellow Dragon Food Industry Co., Ltd.* ("Yellow Dragon")	The PRC	N/A	40%	–	Processing and sales of corn food and feed products (Note (i))
Hubei Jinxu Agriculture Development Co., Ltd.* ("Hubei Jinxu")	The PRC	Ordinary	–	13.21%	Pig farming and sales of pigs and related activities (Note (ii))
Guangdong Zijin Baojin Livestock Co., Ltd.* ("Guangdong Baojin")	The PRC	N/A	–	34%	Pig farming and sales of pigs (Note (iii))

* equity joint ventures

Notes:

- (i) Yellow Dragon is engaged in the processing and sale of corn food and feed products, enabling the Group to have exposure to this industry through the expertise of the joint venture partner.
- (ii) Hubei Jinxu is engaged in pig farming, sales of pigs and related activities in Guangdong and Hubei, enabling the Group to maintain stable and premium quality sources of live pigs for distribution to Hong Kong.
- (iii) Guangdong Baojin is engaged in pig farming and sales of pigs in Guangdong, enabling the Group to maintain stable and premium quality sources of live pigs for distribution to Hong Kong.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

During the year, the Group had the following connected transactions which are required to be disclosed in the annual report in accordance with the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The transactions described in A to E below (collectively the "Transactions") are continuing connected transactions subject to annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules and reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

Details of the Transactions during the year were as follows:

- A. GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. ("GDH Zhongyue") and GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("GDH Zhongyue Posco"), a 66% owned subsidiary of the Group, purchased blackplates from POSCO Asia Company Limited ("POSCO Asia") in their ordinary course of business and on normal commercial terms for approximately HK\$326,040,000 ("Transaction on Purchase of Blackplates"). POSCO Asia is a wholly-owned subsidiary of POSCO Co., Ltd. ("POSCO"), which is a substantial shareholder of GDH Zhongyue Posco.
- B. GDH Zhongyue and GDH Zhongyue Posco supplied tinplate products to POSCO Asia in their ordinary course of business and on normal commercial terms for approximately HK\$256,147,000 ("Transaction on Sales of Tinplates").
- C. GDH Zhongyue purchased electricity from Zhongshan GDH Energy Services Co., Ltd. ("Zhongshan Energy") through the power grid provided by Guangdong Power Grid Company Limited in its ordinary course of business and on normal commercial terms for RMB31,996,000 ("Purchase of Electricity").
- D. GDH Finance Co., Ltd. ("GDH Finance") provided deposit services to the Company in its ordinary course of business and on normal commercial terms for a maximum daily balance of RMB22,009,000 ("Deposit Services").
- E. there was no bills discounting services provided by GDH Finance ("Bills Discounting Services").

The board of directors of the Company (the "Board") including the Independent Non-Executive Directors and the Internal Audit Department have reviewed the Transactions described in A to E above and confirmed that the Transactions were:

- (i) entered into by the Company, GDH Zhongyue and GDH Zhongyue Posco in their ordinary and usual course of businesses;
- (ii) conducted on normal commercial terms or better from the perspective of the Company, GDH Zhongyue and GDH Zhongyue Posco; and
- (iii) entered into in accordance with the agreements governing the Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (continued)

The Board including the Independent Non-Executive Directors also confirmed that:

- (i) the aggregate amount for the year ended 31 December 2020 did not exceed the annual cap amount of US\$127,858,000 (equivalent to approximately HK\$997,292,000) for the Transaction on Purchase of Blackplates as disclosed in the announcement dated 28 December 2017;
- (ii) the aggregate amount for the year ended 31 December 2020 did not exceed the annual cap amount of US\$139,850,000 (equivalent to approximately HK\$1,090,830,000) for the Transaction on Sales of Tinplates as disclosed in the announcement dated 29 August 2018;
- (iii) the aggregate amount for the year ended 31 December 2020 did not exceed the annual cap amount of RMB32,000,000 (equivalent to approximately HK\$35,555,200) for the Purchase of Electricity as disclosed in the announcement dated 13 November 2019;
- (iv) the maximum daily balance (including interests) for the year ended 31 December 2020 did not exceed the annual cap amount of RMB32,000,000 for the Deposit Services as disclosed in the announcement dated 30 May 2018.
- (v) the aggregate amount for the year ended 31 December 2020 did not exceed the annual cap amount of RMB32,000,000 for the Bills Discounting Services as disclosed in the announcement dated 30 May 2018; and

The Company's auditors were engaged to report on the Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits and Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the Transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the Company does not have other disclosure obligations under Rule 13.21 of the Listing Rules.

Investment Properties

MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Group's interest	Category of the lease
29/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong	Commercial	100%	Long
Land, buildings and structure of GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd., 25 Yanjiangdongyi Road, Torch Development Zone, Zhongshan, Guangdong Province, the PRC.	Industrial/Residential	100%	Medium

Financial Summary

(Expressed in Hong Kong dollars)

RESULTS

	For the year ended 31 December				
	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Revenue	2,538,001	2,369,724	2,845,356	2,186,010	2,246,114
Profit from operations	66,878	76,192	74,825	5,522	84,302
Valuation (losses)/gains on investment properties	(16,800)	(10)	65,247	20,271	3,738
Finance costs	(2,831)	(116)	(12)	(1,016)	(1,449)
Share of profits less losses of associates	60,580	(15,484)	(17,436)	23,159	30,545
Impairment loss on interest in an associate	(23,764)	–	–	–	–
Profit before taxation	84,063	60,582	122,624	47,936	117,136
Income tax	(11,171)	(6,415)	(7,102)	7,864	(7,766)
Profit for the year	72,892	54,167	115,522	55,800	109,370
Attributable to:					
Equity shareholders of the Company	69,899	54,213	118,377	65,797	108,484
Non-controlling interests	2,993	(46)	(2,855)	(9,997)	886
Profit for the year	72,892	54,167	115,522	55,800	109,370
Earnings per share					
Basic	7.7 cents	6.0 cents	13.0 cents	7.2 cents	12.0 cents
Diluted	7.7 cents	6.0 cents	13.0 cents	7.2 cents	12.0 cents
Dividend per share					
Interim	1.0 cent	1.0 cent	1.0 cent	1.0 cent	1.0 cent
Proposed final	1.5 cents	3.0 cents	3.0 cents	3.0 cents	3.0 cents

Financial Summary (continued)

(Expressed in Hong Kong dollars)

ASSETS AND LIABILITIES

	As at 31 December				
	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Investment properties	450,265	457,300	460,706	416,507	384,826
Other property, plant and equipment	620,345	592,018	622,701	668,479	704,704
	1,070,610	1,049,318	1,083,407	1,084,986	1,089,530
Goodwill	1,415	–	–	–	–
Interest in associates	279,209	231,906	253,221	286,261	267,774
Other non-current assets	–	2,328	3,612	2,341	5,476
Net current assets	1,471,485	1,330,898	1,284,323	1,258,040	1,140,721
Total assets less current liabilities	2,822,719	2,614,450	2,624,563	2,631,628	2,503,501
Non-current liabilities	(38,311)	(29,925)	(19,707)	(21,255)	(32,711)
Net assets	2,784,408	2,584,525	2,604,856	2,610,373	2,470,790
Share capital	459,651	459,651	459,651	459,651	459,651
Other reserves	2,118,346	1,978,933	1,996,798	1,993,198	1,850,313
Total equity attributable to equity shareholders of the Company	2,577,997	2,438,584	2,456,449	2,452,849	2,309,964
Non-controlling interests	206,411	145,941	148,407	157,524	160,826
Total equity	2,784,408	2,584,525	2,604,856	2,610,373	2,470,790



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