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**ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED**

**正業國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 3363)

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

**FINANCIAL HIGHLIGHTS**

	For the year ended 31 December	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Revenue	<b>2,493,041</b>	2,367,151
Gross Profit Margin	<b>15.68%</b>	18.96%
EBITDA	<b>226,952</b>	266,523
Total Comprehensive Income for the Year		
Attributable to the Owners of the Company	<b>54,772</b>	82,184
Return on Equity Attributable to the Owners of the Company	<b>6.07%</b>	8.88%
Earnings per Share (Basic) – RMB	<b>11 cents</b>	16 cents
Recommended Final Dividend – HKD per share	<b>3.525 cents</b>	3.246 cents

- The Board had resolved to recommend the payment a final dividend of RMB3.00 cents (equivalent to HKD3.525 cents) per Share for the Year (2019: a final dividend of RMB3.00 cents per Share).

## ANNUAL RESULTS

The board of directors (the “**Board**”) of Zhengye International Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2020 (the “**Year**” or “**Year under review**”) together with the comparative figures for the corresponding year ended 31 December 2019 (the “**Year 2019**”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	<b>3</b>	<b>2,493,041</b>	2,367,151
Cost of sales		<u><b>(2,102,176)</b></u>	<u>(1,918,338)</u>
Gross profit		<b>390,865</b>	448,813
Other income	<b>4</b>	<b>26,287</b>	14,028
Impairment losses under expected credit loss model, net of reversal	<b>5</b>	<b>(5,055)</b>	(40)
Other gains and losses	<b>5</b>	<b>(2,201)</b>	(932)
Distribution and selling expenses		<b>(72,651)</b>	(72,994)
Administrative expenses		<b>(141,327)</b>	(137,858)
Finance costs	<b>6</b>	<b>(49,615)</b>	(45,835)
Other expenses		<b>(1,926)</b>	(1,032)
Research and development cost		<u><b>(79,446)</b></u>	<u>(84,970)</u>
Profit before tax	<b>7</b>	<b>64,931</b>	119,180
Income tax expense	<b>8</b>	<u><b>(2,371)</b></u>	<u>(18,152)</u>
Profit and total comprehensive income for the year		<u><b>62,560</b></u>	<u>101,028</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>54,772</b>	82,184
Non-controlling interests		<u><b>7,788</b></u>	<u>18,844</u>
		<u><b>62,560</b></u>	<u>101,028</u>
Earnings per share			
Basic ( <i>RMB</i> )	<b>10</b>	<u><b>11 cents</b></u>	<u>16 cents</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>1,040,423</b>	892,291
Right-of-use assets		<b>197,943</b>	216,194
Other intangible assets		<b>4,120</b>	-
Deferred tax assets		<b>7,265</b>	6,475
Deposits for acquisition of a subsidiary		-	5,000
Deposits for acquisition of property, plant and equipment		<b>30,137</b>	6,785
		<b>1,279,888</b>	1,126,745
<b>Current Assets</b>			
Inventories		<b>169,750</b>	137,275
Trade and other receivables	<b>11</b>	<b>922,741</b>	771,974
Contract assets		<b>18,628</b>	16,957
Tax recoverable		-	607
Pledged bank deposits		<b>106,401</b>	139,904
Bank balances and cash		<b>185,367</b>	231,089
		<b>1,402,887</b>	1,297,806
<b>Current Liabilities</b>			
Trade and other payables	<b>12</b>	<b>259,447</b>	307,580
Consideration payables		<b>11,956</b>	-
Tax liabilities		<b>6,461</b>	6,452
Bank and other borrowings		<b>1,025,339</b>	816,593
Lease liabilities		<b>14,226</b>	17,277
Contract liabilities		<b>3,583</b>	2,215
Amounts due to directors		<b>507</b>	354
		<b>1,321,519</b>	1,150,471
<b>Net Current Assets</b>		<b>81,368</b>	147,335
<b>Total Assets Less Current Liabilities</b>		<b>1,361,256</b>	1,274,080

**Capital and Reserves**

Share capital	13	41,655	41,655
Share premium and reserves		<u>924,026</u>	<u>884,254</u>

Equity attributable to the owners of the Company		965,681	925,909
Non-controlling interests		<u>223,893</u>	<u>198,498</u>

<b>Total Equity</b>		<u>1,189,574</u>	<u>1,124,407</u>
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**Non-current Liabilities**

Deferred tax liabilities		6,787	5,629
Consideration payables		10,875	-
Bank and other borrowings		86,004	56,719
Lease liabilities		30,998	48,407
Deferred income		<u>37,018</u>	<u>38,918</u>
		<u>171,682</u>	<u>149,673</u>

<u>1,361,256</u>	<u>1,274,080</u>
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Notes:

## 1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company acts as an investment holding company. Mr. Hu Zheng, Mr. Hu Hancheng, Mr. Hu Hanchao and Ms. Hu Jianwen, who collectively own 75% of the Company's share in aggregate and act in concert, are regarded as the controlling shareholders of the Company.

The principal activities of its subsidiaries are mainly engaged in manufacturing and sale of paper, paperboard and paper-based packaging products. The Company and its subsidiaries are hereinafter collectively referred to as the "**Group**" and its principal place of business is located in the People's Republic of China ("**PRC**" or "**China**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the "**functional currency**").

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19-Related Rent Concessions.

Except for the the Amendment to HKFRS 16 COVID-19-Related Rent Concessions, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **Amendments to HKAS 1 and HKAS 8 Definition of Material**

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

## **Impacts on application of Amendments to HKFRS 3 Definition of a Business**

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

## **Impacts on application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions**

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from two to six months waiver of lease payments on several leases in the PRC. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB1,411,000, which has been recognised as variable lease payments in profit or loss for the current year

### **New and revised HKFRSs issued but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the Related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018 - 2020 <sup>2</sup>

1. Effective for annual periods beginning on or after 1 January 2023.

2. Effective for annual periods beginning on or after 1 January 2022.

3. Effective for annual periods beginning on or after a date to be determined.

4. Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate the application of other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

### **Amendments to HKFRS 3 Reference to the Conceptual Framework**

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### **Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)**

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.



In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

#### **Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use**

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### **Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to outstanding unfulfilled paper-making contracts and packaging contracts.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### **Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020**

The annual improvements make amendments to the following standards.

##### **HKFRS 9 Financial Instruments**

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

## HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

## HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### **3. REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in the supply of corrugated medium paper and paper-based packaging products.

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their products, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment performance. The Group's reportable segments under HKFRS 8 are identified as two main operations:

1. Corrugated medium paper: this segment produces and sells corrugated medium paper.
2. Paper-based packaging: this segment produces and sells paper-based packaging products.

**(a) Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	<b>For the year ended 31 December 2020</b>		
	<b>Corrugated medium paper RMB'000</b>	<b>Paper-based packaging RMB'000</b>	<b>Total RMB'000</b>
<b>REVENUE</b>			
External sales	1,692,848	800,193	2,493,041
Inter-segment sales	146,470	-	146,470
Segment revenue	<u>1,839,318</u>	<u>800,193</u>	<u>2,639,511</u>
Eliminations			<u>(146,470)</u>
Group Revenue			<u>2,493,041</u>
Segment Profit	<u>46,480</u>	<u>22,786</u>	69,266
Eliminations			<u>335</u>
			69,601
Unallocated other income			3,623
Unallocated corporate expenses			<u>(8,293)</u>
Profit before tax			<u>64,931</u>

Other segment information included in the measurement of segment results:

	<b>Corrugated medium paper RMB'000</b>	<b>Paper-base packaging RMB'000</b>	<b>Total RMB'000</b>
Depreciation of property, plant and equipment	68,251	23,257	91,508
Depreciation of right-of-use assets	8,830	12,204	21,034
Less: Amount capitalised in inventories	(50,944)	-	(50,944)
Less: Amount recognised in cost of sales	-	(15,371)	(15,371)
Less: Amount capitalised in other intangible assets	<u>(136)</u>	<u>-</u>	<u>(136)</u>
Total depreciation and amortisation	26,001	20,090	46,091
Impairment losses recognised on trade and other receivables	<u>1,825</u>	<u>3,230</u>	<u>5,055</u>

	For the year ended 31 December 2019		
	Corrugated medium paper RMB '000	Paper-based packaging RMB '000	Total RMB '000
<b>REVENUE</b>			
External sales	1,559,861	807,290	2,367,151
Inter-segment sales	<u>133,263</u>	<u>-</u>	<u>133,263</u>
Segment revenue	<u>1,693,124</u>	<u>807,290</u>	2,500,414
Eliminations			<u>(133,263)</u>
Group Revenue			<u>2,367,151</u>
Segment Profit	<u>104,570</u>	<u>18,661</u>	123,231
Eliminations			<u>82</u>
			123,313
Unallocated other income			858
Unallocated corporate expenses			<u>(4,991)</u>
Profit before tax			<u>119,180</u>

Other segment information included in the measurement of segment results:

	Corrugated medium paper RMB '000	Paper-based packaging RMB '000	Total RMB '000
Depreciation of property, plant and equipment	59,189	21,775	80,964
Depreciation of right-of-use assets	7,780	12,426	20,206
Amortisation	338	-	338
Less: Amount capitalised in inventories	(44,668)	-	(44,668)
Less: Amount recognised in cost of sales	<u>-</u>	<u>(17,874)</u>	<u>(17,874)</u>
Total depreciation and amortisation	22,639	16,327	38,966
Impairment losses recognised (reversed) on trade and other receivables	<u>104</u>	<u>(64)</u>	<u>40</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represented the profit earned by each segment without allocation of legal and professional fee, bank interest income and other corporate income and expenses.

No reconciliation of reportable segment revenues is provided as the total revenues for reportable segments excluded inter-segment revenue is the same as the Group's revenue.

**(b) Information about products**

The following is analysis of the Group's revenue from its major products:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Corrugated medium paper AA grade	<b>1,684,546</b>	1,559,861
Corrugated medium paper C grade	<b>8,302</b>	-
Watermark Box	<b>538,250</b>	495,384
Colour Box	<b>145,275</b>	139,221
Honeycomb paper-based products	<b>116,668</b>	172,685
	<b><u>2,493,041</u></b>	<u>2,367,151</u>

**(c) Geographic information**

The Group's operations are all located in the PRC.

**(d) Information about major customers**

Revenue from customers of the corresponding years over 10% of the total revenue of the Group is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Customer A <sup>1</sup>	<b><u>N/A</u></b>	<u>253,424</u>

<sup>1.</sup> Revenue from paper-based packaging

**(e) Segment assets and liabilities**

Information of the operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

#### 4. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income from bank deposits:	5,057	6,085
Interest income from rental deposits:	96	139
Management fee income	39	73
Sales of scrap materials	1,249	806
Government grants related to income ( <i>note</i> )	14,290	1,937
Government grants amortised from deferred income	4,100	3,325
Sundry income	1,456	1,663
Total	<b>26,287</b>	<b>14,028</b>

*Note:* Government grants received by the Group's PRC subsidiaries as financial incentives for local economic. No other conditions are attached to the financial incentives.

#### 5. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
<b><u>Impairment losses under expected credit loss model, net of reversal</u></b>		
Impairment losses recognised on trade and other receivables	<b>(5,055)</b>	<b>(40)</b>
<b><u>Other gains and losses</u></b>		
Exchange gain (loss), net	1,294	(932)
(Loss) gain on disposals of property, plant and equipment, net	(2,280)	546
Impairment losses recognised on property, plant and equipment	<b>(1,215)</b>	<b>(546)</b>
	<b>(2,201)</b>	<b>(932)</b>

#### 6. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on:		
Bank and other borrowings	45,288	42,027
Lease liabilities	3,125	3,308
Imputed interest on consideration payables	1,202	-
	<b>49,615</b>	<b>45,835</b>

## 7. PROFIT BEFORE TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	91,508	80,964
Depreciation of right-of-use assets	21,034	20,206
Amortisation of other intangible assets	-	338
Less: Amount capitalised in inventories	(50,944)	(44,668)
Less: Amount recognised in cost of sales	(15,371)	(17,874)
Less: Amount capitalised in other intangible assets	(136)	-
Total depreciation and amortisation	<u>46,091</u>	<u>38,966</u>
COVID-19-related rent concessions	(1,411)	-
Auditor's remuneration	1,950	1,748
Cost of inventories recognised as expense	2,028,040	1,777,080
Staff costs		
- directors' and chief executive's emoluments	3,882	3,831
- salaries and other benefits costs for staffs other than directors and chief executive	221,596	220,224
- retirement benefits scheme contribution for staffs other than directors and chief executive	4,286	15,856
Less: Amount capitalised in inventories	(47,354)	(42,317)
Less: Amount recognised in cost of sales	(71,191)	(77,768)
Less: Amount capitalised in other intangible assets	(841)	-
Total staff costs	<u>110,378</u>	<u>119,826</u>

## 8. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC Enterprise Income Tax:		
Current tax	3,579	16,468
Over provision in prior years	(3,615)	(1,303)
	(36)	15,165
Withholding Tax	1,237	7,288
Deferred tax	1,170	(4,301)
	<u>2,371</u>	<u>18,152</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both year.

Under the Law of The People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Certain PRC subsidiaries approved as advanced-technology enterprises by the relevant government authorities are subject to a preferential rate of 15%. During the year, four PRC subsidiaries were approved as "small and low-profit enterprises" by the relevant government authorities are subject to a two-tiered preferential rate. The first RMB1 million of taxable profit of the qualifying group entities will be taxed at 5%, and taxable profit above RMB1 million will be taxed at 10%.

## 9. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends recognized as distribution during the Year	<u>15,000</u>	<u>50,000</u>

The Directors of the Company recommend the payment of a final dividend of RMB3.00 cents (equivalent to HKD3.525 cents) per Share for the year ended 31 December 2020 (2019: a final dividend of RMB3.00 cents per Share). The proposed dividend of approximately RMB15,000,000 will be paid on or about 14 July 2021 to those shareholders whose names appear on the Company's register of members on 2 July 2021.

This proposed final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company		
Company for the purpose of basic earnings per share	<u>54,772</u>	<u>82,184</u>
<b>Number of shares</b>		
Number of ordinary shares for the purposes of basic earnings per share	<u>500,000,000</u>	<u>500,000,000</u>

No diluted earnings per share for the years ended 31 December 2020 and 2019 was presented as there was no potential ordinary shares in issue for the years ended 31 December 2020 and 2019.



## 11. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	513,348	431,716
Less: allowance for credit losses	<u>(6,728)</u>	<u>(1,912)</u>
	506,620	429,804
Trade receivables backed by bills	372,851	298,640
Less: allowance for credit losses	<u>(472)</u>	<u>-</u>
	878,999	728,444
Advanced to suppliers	18,232	25,693
Prepayment	5,975	5,304
Other receivables	19,716	12,533
Less: allowance for credit losses	<u>(181)</u>	<u>-</u>
	43,742	43,530
Total trade and other receivables	<u><b>922,741</b></u>	<u><b>771,974</b></u>

As at 31 December 2020 and 31 December 2019, gross amount of trade receivables from contracts with customers amounted to RMB886,199,000 and RMB730,356,000 respectively.

The following is an aged analysis of trade receivables not backed by bills presented based on dates of delivery of goods at the end of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0-60 days	409,324	307,211
61-90 days	42,753	40,519
91-180 days	49,197	59,461
Over 180 days	<u>5,346</u>	<u>22,613</u>
	<u><b>506,620</b></u>	<u><b>429,804</b></u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 will be disclosed in the consolidated financial statements of the Group.

## 12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	139,194	156,003
Bills payables – secured	15,829	68,572
Other tax payables	37,893	30,800
Payroll and welfare payables	35,919	30,901
Construction payables	4,341	3,918
Others	26,271	17,386
	<b>259,447</b>	<b>307,580</b>

The following is an aged analysis of trade payables presented based on dates of receipt of goods at the end of the reporting period.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0-60 days	117,537	131,759
61-90 days	5,040	11,822
91-180 days	8,456	4,181
Over 180 days	8,161	8,241
	<b>139,194</b>	<b>156,003</b>

The credit period on purchase of material is 30 to 120 days. The Group has financial risk management policies in place to monitor the settlement.

## 13. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	<b>1,000,000,000</b>	<b>100,000,000</b>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	<b>500,000,000</b>	<b>50,000,000</b>
		<b><i>RMB'000</i></b>
Presented as: At 31 December 2019 and 2020		<b>41,655</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group mainly provides supporting paper-based packaging products for well-known domestic and foreign manufacturers of air conditioners, food seasonings and consumer electronic products, etc. At the same time, it provides comprehensive services including design, printing, logistics and other customer services to customers with integrated packaging solutions. In addition, in order to enhance the competitiveness of the Group's paper-based packaging products, the Group has also extended the back-end industry chain to use recycled waste paper as raw materials to produce corrugated core paper for the Group's paper packaging products and external sales.

The Group is committed to become one of the global leading eco-friendly packaging enterprises.

The Group's products mainly include paper-based packaging products (i.e. watermark cartons, colour printing cartons and honeycomb paper-based products) and corrugated medium paper. The Group currently comprised five wholly-owned subsidiaries and two holding companies in China that provide customers with quality products and services.

The Group's paper-based packaging products have been deeply involved in packaging of air-conditioning, condiment and consumer electronic products for many years. It has won the trust of many well-known domestic and foreign brands and has a group of customers who have established stable relationships for more than ten years. The corrugated core paper products produced by the Group win customers' recognition with stable quality and innovative services in market segments.

In 2020, the packaging segment of the Group was affected by the COVID-19 epidemic in the first half of the year, and orders dropped sharply from the factories in Wuhan, Zhengzhou and Shijiazhuang. The management of the Group faced the difficulties and fully resumed the production and operation of the above three factories after the epidemic in China was brought under control in April. The overall production conditions of Wuhan and Shijiazhuang factories recovered after the second quarter, but Zhengzhou factory has halted production during the year due to insufficient orders and has commenced liquidation, and the liquidation loss was approximately RMB3,939,000. Also affected by the epidemic, the Zhongshan and Zhuhai factories in Guangdong Province have experienced growth in domestic consumption, significant shrinkage in global trade, and a rebound in China's export order growth. Downstream customer orders have recovered strongly. Zhongshan and Zhuhai factories took the lead in resuming production and operations while the epidemic relief, and started to increase production and sales in March 2020, and continued to maintain sales growth of more than 15%. During the period, the Group's packaging segment realised operating revenue of RMB800,193,000, slightly decreased of 0.88% as compared with RMB807,290,000 in the same period of last year, and profit increased by 22.10% compared with last year.

For the paper-making segment of the Group, it was affected by the COVID-19 epidemic and the Guangdong Provincial Government's introduction of stricter "coal-to-gas" policies in Pearl River Delta cities under the background of the national "Blue Sky Defense War" in the first half of 2020, the two paper mills located at Zhongshan took the lead in completing the "coal-to-gas" project during the period. This change resulted in a certain increase in the fuel cost per ton of paper production compared to the same period last year. At the same time, in order to cope with the impact of the aforementioned increase in fuel costs on the profitability of products, the Group actively shut down the main production facilities of the two paper

enterprises during the year for upgrading and transformation, which affected the overall operating efficiency by approximately 16.51% and increased the annual loss of downtime during the year. As part of the machineries and equipment have been renovated during the year, the two paper enterprises in Zhongshan have basically resumed normal operations since August 2020, and its production and sales volume after the upgrade have also stabilized at a growth rate of more than 20%. In addition, the Jiangxi papermaking base, which joined the Group after 1 March 2020, was basically unaffected by the epidemic. The production and sales volume during the year reached expectations and began to contribute profit to the Group. The Group's paper-making segment achieved operating income of RMB1,692,848,000 during the year, which increased RMB132,987,000 or 8.53% as compared with RMB1,559,861,000 in the same period last year. However, under the influence of the above-mentioned "coal to gas" and shutdown transformation, the profitability decreased by 55.55% compared with last year.

## **Products review**

### ***Paper-based packaging products***

The Group's paper packaging products use containerboard and corrugated medium paper as the main raw materials, including watermark cartons, colour printing cartons and honeycomb paper-based products. In 2020, the revenue in paper-based packaging products of the Group's was RMB800,193,000, representing a decrease of RMB7,097,000 or 0.88% as compared with 2019, it represented about 32.10% revenue of the Group. The gross profit margin of paper-based packaging products in 2020 was approximately 19.82%, decreased by 0.14 percentage point from 19.96% as compared to the same period last year.

#### *Watermark Cartons*

The Group's watermark cartons are mainly used for household air-conditioning packaging, small household appliance packaging, household electronic consumer products, and food seasoning product packaging. The Group continues to ensure high-quality product supply and quality after-sales service, and enhance customers' trust and access. It was well acceptable by many brand customers and long-term stable cooperation can be maintained.

#### *Colour Printing Cartons*

In order to meet customers' requirements for different product packaging quality, the Group also provides high-quality colour printing cartons for household air-conditioning packaging, small home appliance packaging, household electronic consumer products, and food seasoning product packaging. The Group continues to promote product innovation. In response to customer needs, we produced differentiated products and actively expanded the color printing carton business. In 2020, the revenue of colour printing carton was RMB145,275,000.

#### *Honeycomb Paper-Based Products*

The honeycomb paper-based products produced by the Group mainly replace the plastic cushioning packaging materials and the alternative foam cushioning products were used in the protection of the original various types of cartons. They are environmentally-friendly and energy-saving materials with light capacity, smooth surface, non-deformation and good cushioning performance. It can buffer the packaging for a variety of industries. The honeycomb paper products currently produced by our Group are still mainly provided for the Group's floating watermark cartons and colour printing cartons.

### ***Corrugated medium paper***

The Group produces 48 g/m<sup>2</sup> to 140 g/m<sup>2</sup> high-strength corrugated core paper. Except for some of the paper packaging products produced by the Group as raw materials, it is mainly sold to cardboard manufacturers in the Pearl River Delta region of Guangdong and carton packaging manufacturers. Due to the joining of the Jiangxi Papermaking Base during the year, the Group's paper-making customers have further expanded to Jiangxi, Fujian, Chaoshan and other regions. The total number of customers served by the Group's paper-making block now exceeds 360. Affected by the “coal-to-gas” policy and the shutdown of some production equipments for technical improvement, the gross profit margin of corrugated medium paper products in 2020 was approximately 13.72%.

The Group has been committed to the research and development (“**R&D**”) of raw paper for packaging. In addition to low-weight and high-strength corrugated medium paper products, the Group made every effort to research and develop containerboard paper products in 2020. It is expected that the products will be launched in 2021, to seek for a win-win situation with downstream enterprises which it can reduce the cost of raw paper for customers, and jointly resist the pressure of market competition.

### **Financial review**

For the year ended 31 December 2020, the revenue of the Group was approximately RMB2,493,041,000 (2019: RMB2,367,151,000), representing an increase of approximately RMB125,890,000 or 5.32%, it was mainly due to the increase in sales of paper segment. Thanks to the increase in sales of the Jiangxi paper-making base newly consolidated into the Group during the year, the overall sales volume increased by 12.52% as compared with last year; and the sales volume of packaging segment increased about 2.22% as compared with last year and its sales price per unit decreased by 3.03%, revenue was basically the same as last year. The Group's gross profit margin for the year of 2020 was 15.68% (2019: 18.96%), a decrease of 3.28 percentage points as compared with the same period of last year.

For the year ended 31 December 2020, the profit and total comprehensive income for the Year attributable to owners of the Group was RMB54,772,000 (2019: RMB82,184,000), representing a decrease of RMB27,412,000 or 33.35% as compared with the same period last year, it was mainly due to the cost increase after “coal to gas” and the loss of some paper machine production lines equipment undergoing transformation for the two main paper-making bases of the Group.

### **Group's Profit**

For the year ended 31 December 2020, the Group's profit before tax was approximately RMB64,931,000 (2019: RMB119,180,000), representing a decrease of RMB54,249,000 or 45.52% as compared with the same period last year.

The finance costs were approximately RMB49,615,000 (2019: RMB45,835,000), an increase of 8.25% at the same period last year.

The income tax expense was approximately RMB2,371,000 (2019: RMB18,152,000), representing a decrease of RMB15,781,000 as compared with the same period last year.

## **Prospects**

There is still a high degree of uncertainty in the changes in the epidemic in 2021. The COVID-19 epidemic has accelerated the evolution of major changes in the world that have not been seen in a century. Globalization has reversed and repeated. The pace of global economic recovery and policy changes is still uncertain, mainly due to the possibility of economic growth, the instability of the country, the challenges of employment and social stability, and the risks of debt and currency stability. The world today is in a period of turbulent change.

At the same time, 2021 is the beginning of China's new journey of building a modern socialist country in an all-round way. It is necessary to accurately recognize changes, respond scientifically, and actively seek changes in a more uncertain and unstable international environment, and always insist on expanding and opening up policy. During the "14th Five-Year Plan" period, how to accelerate the formation of a new development pattern with the domestic cycle as the main body, the mutual promotion of domestic and international dual cycles based on the strategic direction of supply-side structural reform and the expansion of domestic demand in the vital strategic base point.

In 2021, the Group's development is still in a period of important strategic opportunities. The Group believes that the development trend of China's economy will remain stable and positive in the long term. The paper-making bases in Guangdong Province of the Group took the lead in completing the "coal-to-gas" conversion and the basic transformation of the paper machine production lines. Through the comprehensive promotion of the "coal-to-gas" policy in Guangdong Province, the Group's paper-making division adopts new products development, technological innovation, stable products quality and continuous expansion of sales channels, and will continue to maintain its market advantage. In the packaging and paper industry, the Group has a complete industrial system and a solid technical foundation, and has market advantages and development potential. With the human capital and human resources accumulated over the years, it hopes to continue to increase investment and expand new customers and new businesses. In order to make the Group's stock packaging and papermaking businesses continue to grow and develop, the Group will continue to vigorously promote the research and development of new products and technologies, improve the efficiency of equipment operation, and improve the overall competitiveness and profitability of the Group with products that are more adaptable to market demands and more innovative and high-quality services. At the same time, the Group will continue to spare no effort to develop promising investment projects during this important strategic opportunity period, accelerate development while maintaining a stable capital structure, and strive to create higher returns for shareholders.

## **Partial Financial Statements Analysis**

### **Cost of Sales**

The Group's cost of sales increased from RMB1,918,338,000 in 2019 to RMB2,102,176,000, representing an increase of 9.58%.

#### *Corrugated Medium Paper*

The cost of sales of corrugated medium paper were RMB1,460,558,000 (2019: RMB1,272,188,000), representing an increase of 14.81%, it was mainly due to the increase in costs after the conversion of "coal-to-gas" in the two paper-making bases, as well as the impact of the loss of production lines under equipment transformation.

### *Paper-Based Packaging Products*

The cost of sales of paper-based packaging products were RMB641,618,000 (2019: RMB646,150,000), representing a decrease of 0.70%.

### **Gross Profit and Gross Profit Margin**

For the Year, the gross profit recorded RMB390,865,000, representing a decrease of 12.91% as compared with RMB448,813,000 in Year 2019. The average gross profit margin decreased from 18.96% in Year 2019 to 15.68% for the Year.

### *Corrugated Medium Paper*

For the Year, the gross profit from corrugated medium paper was RMB232,290,000 (2019: RMB287,673,000), representing a decrease of 19.25%. The overall gross profit margin for 2020 was 13.72% (2019: 18.44%), decreased by 4.72 percentage points.

### *Paper-Based Packaging Products*

For the Year, the gross profit from paper-based packaging products was RMB158,575,000 (2019: RMB161,140,000), representing a decrease of 1.59%. The overall gross profit margin for 2020 was 19.82% (2019: 19.96%), decreased by 0.14 percentage points.

### **Distribution and selling expenses**

The distribution and selling expenses of the Group decreased by approximately 0.47% from RMB72,994,000 for the Year 2019 to RMB72,651,000 for the Year. During the Year, the distribution and selling expenses mainly included salaries of salesmen, transportation costs and business promotion expenses. The decrease of distribution and selling expenses was mainly due to the decrease in transportation costs attributed to the decline in sales.

### **Administrative expenses**

Administrative expenses of the Group increased by approximately 2.52% from RMB137,858,000 for the Year 2019 to RMB141,327,000 for the Year. The administrative and other expenses mainly included salaries of management, staff welfare, rent and depreciation.

### **Finance costs**

Finance costs of the Group increased by approximately 8.25% from RMB45,835,000 for the Year 2019 to RMB49,615,000 for the Year, it was mainly due to the increase in sales, trade receivables and inventories of the Group during the year, which increased in bank borrowings eventually.

Interest rates of bank borrowings were at variable rates ranging from 2.30% to 3.40% for the Year, as compared with 3.85% to 5.66% for the Year 2019.

## **Research and development expenses**

Research and development expenses of the Group decreased by 6.50% from RMB84,970,000 in the Year 2019 to RMB79,446,000 for the Year. The research and development expenses was mainly due to our goal to improve the competitiveness of the Group's products and to develop new products in response to demand from customers, for which the Group conducted research on new technology and new process to enhance production efficiency and product quality.

## **Profit and total comprehensive income**

During the Year, the Group's profit and total comprehensive income was RMB62,560,000. The profit and total comprehensive income for the year attributable to owners of the Company was RMB54,772,000, representing a decrease of 33.35% as compared with RMB82,184,000 to the profit and total comprehensive income attributable to owners of the Company for Year 2019.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Cash flow**

As at 31 December 2020, the Group had a net cash outflow of RMB45,722,000.

### **Inventories**

As at 31 December 2020, the inventories of the Group increased by 23.66% to RMB169,750,000 as compared to the inventories balance of RMB137,275,000 as at 31 December 2019. During the Year, the inventory turnover day was about 26 days (2019: 28 days), remaining at a normal level.

### **Trade receivables**

As at 31 December 2020, the trade receivables amounted to RMB513,348,000 (as at 31 December 2019: RMB431,716,000). The Group generally granted credit period of 30 to 120 days to our paper-based packaging products customers and credit period of 30 to 75 days to our corrugated medium paper customers. The trade receivables turnover days was about 75 days (2019: 67 days).

### **Trade receivables backed by bills**

As at 31 December 2020, the trade receivables backed by bills receivables amounted to RMB372,379,000 (31 December 2019: RMB298,640,000).

### **Trade payables**

As at 31 December 2020, the trade payables amounted to RMB139,194,000 (as at 31 December 2019: RMB156,003,000). The Group managed to obtain a credit period of 30 to 120 days from the majority of its suppliers. The trade payables turnover days was shortened to 25 days (2019: 34 days).



## **Borrowings**

As at 31 December 2020, the Group's bank and other borrowings balance amounted to RMB1,111,343,000 (as at 31 December 2019: RMB873,312,000).

## **Gearing ratio**

As at 31 December 2020, the gross gearing ratio was approximately 41.43% (as at 31 December 2019: 36.02%), which was calculated on the basis of the total amount of bank and other borrowings as a percentage of the total assets. The net gearing ratio was 84.87%, which was calculated on the basis of the amount of bank and other borrowings less pledged bank deposits and cash and bank balances as a percentage of the shareholders' equity (as at 31 December 2019: 54.25%).

## **Pledge of assets**

As at 31 December 2020, the Group pledged certain assets with carrying value of RMB836,290,000 as collateral for the Group's borrowing (as at 31 December 2019: RMB789,547,000).

## **Capital commitments**

As at 31 December 2020, the Group's capital commitments (including the engaged and authorized capital commitments) were RMB22,484,000 (as at 31 December 2019: RMB23,275,000). All the capital commitments were related to purchase of properties, plants and equipment.

## **Contingent liabilities**

As at 31 December 2020, the Group had no significant contingent liabilities or litigation or arbitration of material importance.

## **Foreign currency exposure**

The Group collects most of its revenue and incurs most of the expenditures in RMB. Although the Group undertakes certain transactions denominated in foreign currencies, mainly the currency of United States and the currency of Hong Kong, the exposures to exchange rate fluctuations is minimal. The Group currently does not have a foreign currency hedging policy. The Board, however, will monitor foreign exchange rate closely and consider entering into foreign currency hedging arrangement should the need arise.

## **Subsequent Event**

The Group has no significant subsequent events occurred after 31 December 2020.

## **DIVIDENDS**

The Board has recommended, subject to the approval of the Shareholders at the Annual General Meeting (the “**AGM**”), the payment of a final dividend of RMB3.00 cents (equivalent to HKD3.525 cents) per Share for the Year (2019: a final dividend of RMB3.00 cents per Share) to those Shareholders whose names appear on the register of members of the Company on Friday, 2 July 2021. The recommended final dividend, if approved at the AGM on Friday, 25 June 2021. The recommended final dividend will be paid in Hong Kong dollars. The RMB to Hong Kong dollar exchange rate for the final dividend calculated using the opening indicative counter buying telegraphic transfer rate for off-shore RMB of The Hong Kong Association of Banks announced on 26 March 2021. The final dividend is expected to be paid on or around Wednesday, 14 July 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct regarding securities transactions by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities (the “**Listing Rules**”). All the Directors, after specific enquired by the Company, confirmed that they had complied with the required standards as set out in the Model Code throughout the Year.

## **CORPORATE GOVERNANCE**

The Company had applied the principles in the code provisions (the “**Code Provisions**”) and certain recommended best practices as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The Company had complied with the Code Provisions throughout the Year.

Further information on the Company’s corporate governance practices is set out in the Corporate Governance Report contained in the Company’s annual report for the Year.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, there is sufficient public float of more than 25% of the Company’s issued shares as required under the Listing Rules.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary Results Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts as set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary Results announcement.

## **AUDIT COMMITTEE**

The audit committee (the “**Audit Committee**”) established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financing reporting matters (including the review of the audited consolidated financial statements of the Company for the Year) in conjunction with the Company's external auditors. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Friday, 25 June 2021. A notice convening the AGM will be published and despatched to shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive). During the period, no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 June 2021.

For determining the entitlement of the recommended final dividend, the register of members of the Company will be closed from Friday, 2 July 2021 to Tuesday, 6 July 2021 (both days inclusive). During the period, no transfer of shares will be registered. In order to qualify to the recommended final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 June 2021. The final dividend will be paid to shareholders on or around Wednesday, 14 July 2021.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.zhengye-cn.com>). The annual report for the Year will be despatched to the shareholders and will be available on the aforesaid websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the Year and give our sincere gratitude to all our shareholders and business partners for their continuous support.

By Order of the Board  
**Zhengye International Holdings Company Limited**  
**Hu Zheng**  
*Chairman*

Hong Kong, 26 March 2021

*As at the date of this announcement, the Board comprised Mr. Hu Zheng (Mr. Hu Jianpeng as his alternate), Mr. Hu Hancheng (Mr. Hu Jianjun as his alternate) and Mr. Hu Hanchao (Mr. Tan Xijian as his alternate) as executive directors, Mr. Chen Riyue as non-executive director and Mr. Chung Kwok Mo John, Mr. Liew Fui Kiang and Mr. Shin Yick Fabian as independent non-executive directors.*

*This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.*