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## SHENGUAN HOLDINGS (GROUP) LIMITED

神冠控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00829)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

#### FINANCIAL AND OPERATING SUMMARY FOR THE YEAR ENDED 31 DECEMBER

<i>(RMB million, except where otherwise stated)</i>	2022	2021	Change
Revenue	<b>1,032.2</b>	1,168.1	-11.6%
Profit attributable to owners of the Company	<b>23.6</b>	122.7	-80.8%
Basic earnings per share <i>(RMB cents)</i>	<b>0.7</b>	3.8	-81.6%
Dividend per share <i>(HK cents)</i>			
– Final	<b>2.0</b>	2.0	–
– Special (Final)	<b>4.0</b>	4.0	–
Net cash flows from operating activities	<b>106.0</b>	179.7	-41.0%
Total assets	<b>3,354.4</b>	3,312.1	+1.3%
Inventory turnover day – Raw materials (days)*	<b>39.8</b>	37.4	+2.4 days
Inventory turnover day – Finished goods & Work in progress (days)*	<b>152.5</b>	159.6	-7.1 days
Trade receivables turnover day (days)*	<b>70.2</b>	56.0	+14.2 days
Trade payables turnover day (days)*	<b>51.0</b>	87.1	-36.1 days

\* Calculated based on the average value between the beginning of the year and the end of the year

The board (the “Board”) of directors (the “Directors”) of Shenguan Holdings (Group) Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, “Shenguan” or the “Group”) for the year ended 31 December 2022 (the “Year” or the “Period”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The audited consolidated annual results of the Group for the Year have been reviewed by the audit committee of the Company and approved by the Board on 24 March 2023. The Board is pleased to propose a final dividend of HK2.0 cents per share and a special final dividend of HK4.0 cents per share.

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

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>1,032,155</b>	1,168,099
Cost of sales		<u>(871,690)</u>	<u>(857,608)</u>
Gross profit		<b>160,465</b>	310,491
Other income and gains, net	4	<b>62,291</b>	53,550
Selling and distribution expenses		<b>(33,757)</b>	(36,569)
Administrative expenses		<b>(153,054)</b>	(144,488)
Finance costs	6	<b>(9,249)</b>	(5,335)
Share of loss of an associate		<b>(777)</b>	(1,432)
Reversal of impairment/(impairment) of trade and bills receivable		<u><b>9,763</b></u>	<u>(13,227)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>35,682</b>	162,990
Income tax expense	7	<u><b>(14,212)</b></u>	<u>(42,974)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>21,470</b></u>	<u>120,016</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial information		<u><b>8,144</b></u>	<u>5,192</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation gain on transfer of right-of-use assets and property, plant and equipment to investment properties		<u><b>–</b></u>	<u>2,943</u>
<b>NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u><b>8,144</b></u>	<u>8,135</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>29,614</b></u>	<u>128,151</u>

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Profit attributable to:			
Owners of the Company		<b>23,565</b>	122,652
Non-controlling interests		<b>(2,095)</b>	(2,636)
		<u><b>21,470</b></u>	<u>120,016</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>31,709</b>	130,787
Non-controlling interests		<b>(2,095)</b>	(2,636)
		<u><b>29,614</b></u>	<u>128,151</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>9</b>		
Basic ( <i>RMB cents per share</i> )		<u><b>0.7</b></u>	<u>3.8</u>
Diluted ( <i>RMB cents per share</i> )		<u><b>0.7</b></u>	<u>3.8</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,006,013</b>	1,056,228
Investment properties		<b>15,870</b>	17,017
Right-of-use assets		<b>111,906</b>	115,536
Investment in an associate		<b>17,500</b>	25,176
Deferred tax assets		<b>25,843</b>	18,859
Long term prepayments and other receivables		<b>52,037</b>	49,836
Pledged deposits		<b>60,000</b>	145,000
Time deposits		<b>95,500</b>	155,500
		<hr/>	<hr/>
Total non-current assets		<b>1,384,669</b>	1,583,152
<b>CURRENT ASSETS</b>			
Inventories		<b>496,280</b>	422,280
Trade and bills receivables	<i>10</i>	<b>206,975</b>	190,288
Prepayments, other receivables and other assets		<b>53,850</b>	57,453
Derivative financial instruments		<b>3,100</b>	–
Tax recoverable		<b>1,431</b>	–
Pledged deposits		<b>254,156</b>	60,000
Cash and cash equivalents		<b>953,950</b>	998,897
		<hr/>	<hr/>
Total current assets		<b>1,969,742</b>	1,728,918
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>85,003</b>	48,978
Other payables and accruals		<b>161,322</b>	113,109
Derivative financial instruments		–	1,506
Interest-bearing bank borrowings		<b>535,242</b>	418,174
Lease liabilities		<b>3,394</b>	4,109
Tax payable		<b>20,765</b>	32,145
		<hr/>	<hr/>
Total current liabilities		<b>805,726</b>	618,021
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>1,164,016</b>	1,110,897
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,548,685</b>	2,694,049
		<hr/>	<hr/>

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>2,089</b>	5,669
Deferred income		<b>20,941</b>	24,322
Deferred tax liabilities		<b>6,213</b>	8,470
		<hr/>	<hr/>
Total non-current liabilities		<b>29,243</b>	38,461
		<hr/>	<hr/>
Net assets		<b>2,519,442</b>	2,655,588
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	12	<b>27,807</b>	27,807
Reserves		<b>2,496,366</b>	2,630,417
		<hr/>	<hr/>
		<b>2,524,173</b>	2,658,224
<b>Non-controlling interests</b>		<b>(4,731)</b>	(2,636)
		<hr/>	<hr/>
Total equity		<b>2,519,442</b>	2,655,588
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO FINANCIAL INFORMATION

31 December 2022

## 1. CORPORATE INFORMATION

Shenguan Holdings (Group) Limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2009 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of edible collagen sausage casing products, pharmaceutical products, food products, skin care and health care products and bioactive collagen products.

## 2.1 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all 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 disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. This financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. The amendment did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of the manufacture and sale of edible collagen sausage casing products. The Group is also involved in the manufacture and sale of pharmaceutical products, food products, skin care and health care products and bioactive collagen products.

Since over 90% of the Group's revenue is generated by its edible collagen sausage casing products, no operating segments have been aggregated to form the reportable operating segment.

#### Geographical information

##### (a) Revenue from external customer

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	898,956	1,056,900
Asia (excluding Mainland China)	67,483	60,943
Other countries/regions	65,716	50,256
	<u>1,032,155</u>	<u>1,168,099</u>

##### (b) Non-current assets

The non-current assets geographical information is not presented since over 90% of the Group's non-current assets are located in Mainland China.

#### Information about major customers

Revenue from major customers of the Group, excluding value added tax, which individually accounted for 10% or more of the Group's revenue for the year is set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer 1	185,654	200,676
Customer 2	149,546	191,406
	<u>149,546</u>	<u>191,406</u>



#### 4. REVENUE, OTHER INCOME AND GAINS, NET

Set out below is the disaggregation of the Group's revenue:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
Goods transferred at a point in time	1,031,925	1,168,001
Services transferred over time	<u>230</u>	<u>98</u>
	<b><u>1,032,155</u></b>	<b><u>1,168,099</u></b>
<b>Other income</b>		
Bank interest income	46,136	38,502
Other interest income	–	199
Sale of dried meat products	–	2,320
Government grants	7,892	8,436
Rental income	2,506	1,971
Others	<u>545</u>	<u>889</u>
	<b><u>57,079</u></b>	<b><u>52,317</u></b>
<b>Gains</b>		
Gain on disposal of right-of-use assets	–	1,233
Fair value gain on derivative financial instruments	<u>5,212</u>	<u>–</u>
	<b><u>5,212</u></b>	<b><u>1,233</u></b>
Total other income and gains, net	<b><u>62,291</u></b>	<b><u>53,550</u></b>

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	146,059	154,659
Retirement benefit contributions	39,495	38,195
	<u>185,554</u>	<u>192,854</u>
Cost of inventories sold	766,286	771,697
Depreciation of property, plant and equipment	94,544	94,294
Depreciation of right-of-use assets	6,640	5,679
Changes in fair value of investment properties	1,147	1,453
Fair value (gain)/losses on derivative financial instruments		
– transactions not qualifying as hedges	(5,212)	1,506
Lease payments not included in the measurement of lease liabilities	341	2,420
Loss on disposal of items of property, plant and equipment, net	299	10,206
Impairment/write-off of financial assets included in prepayments, other receivables and other assets	6,348	–
(Reversal of impairment)/impairment of trade receivables, net	(9,763)	13,227
Impairment of investment in an associate	6,899	–
Write-off of inventories	18,246	8,605
Provision/(reversal of provision) against obsolete and slow-moving inventories	5,304	(10,367)
Foreign exchange differences, net	16,894	2,102
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	81	299
	<u>81</u>	<u>299</u>

## 6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans	8,895	5,053
Interest on lease liabilities	354	282
	<u>9,249</u>	<u>5,335</u>

## 7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

A subsidiary located in Wuzhou, Guangxi in the Western Region of China are subject to the region's preferential corporate income tax ("CIT") rate of 15% as set out in the Announcement of the State Taxation Administration and the National Development and Reform Commission on the continuation of preferential enterprise income tax policies in the western region (Announcement No. 23 [2020]).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current – PRC		
Charge for the year	25,510	41,142
Overprovision in prior year	(1,662)	(617)
Current – Hong Kong		
Charge for the year	–	1,368
Overprovision in prior year	(401)	–
Deferred tax	(9,235)	1,081
Total tax charge for the year	<u>14,212</u>	<u>42,974</u>

## 8. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend proposed subsequent to the reporting period		
– HK2.0 cents (2021: HK2.0 cents) per ordinary share	56,279	52,521
Final special dividend proposed subsequent to the reporting period		
– HK4.0 cents (2021: HK4.0 cents) per ordinary share	112,559	105,042
	<u>168,838</u>	<u>157,563</u>

The final dividend and special dividend for the year ended 31 December 2022 proposed subsequent to the reporting period have not been recognised as liabilities at the end of the reporting period and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company of RMB23,565,000 (2021: RMB122,652,000) and the weighted average number of 3,230,480,000 (2021: 3,230,480,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

## 10. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	143,218	165,715
Due from related companies	1,557	1,945
	<u>144,775</u>	<u>167,660</u>
Bills receivable	92,447	62,638
	<u>237,222</u>	<u>230,298</u>
Impairment	(30,247)	(40,010)
	<u><u>206,975</u></u>	<u><u>190,288</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for certain customers.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	75,324	88,232
1 month to 3 months	74,875	77,335
3 months to 6 months	48,381	18,493
6 months to 1 year	3,998	3,608
Over 1 year	4,397	2,620
	<u><u>206,975</u></u>	<u><u>190,288</u></u>

## 11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	31,720	38,836
1 to 2 months	9,261	2,715
2 to 3 months	13,651	1,134
3 to 6 months	24,928	1,718
Over 6 months	5,443	4,575
	<u>85,003</u>	<u>48,978</u>

The trade payables are non-interest-bearing. The trade and bills payables are normally settled on terms ranging from 60 days to 180 days.

## 12. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
3,230,480,000 (2021: 3,230,480,000) ordinary shares of HK\$0.01 each	<u>32,305</u>	<u>32,305</u>
Equivalent to RMB'000	<u>27,807</u>	<u>27,807</u>

A summary of movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Equivalent share premium <i>RMB'000</i>	Equivalent total <i>RMB'000</i>
At 1 January 2021,						
31 December 2021,						
1 January 2022 and						
31 December 2022	<u>3,230,480,000</u>	<u>32,305</u>	<u>10,233</u>	<u>27,807</u>	<u>98,081</u>	<u>125,888</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

During the Year, China's economy struggled to move forward on the back of an outbreak of the COVID-19 epidemic in various cities. The resurgence of the COVID-19 epidemic and the impact of the Russo-Ukrainian War affected both product sales and raw materials supply, which increased the uncertainty of production and operation of various enterprises. Nevertheless, the epidemic was effectively under control, China's economy continued to show a development momentum, and the overall social situation remained stable, thanks to the government's efforts to effectively coordinate the epidemic prevention and control and implement policies and measures to "stabilise the economy".

### **BUSINESS REVIEW**

As a strategic emerging industry in the 21st century, the nutrition, health care and medical industries have a huge demand for collagen especially. The development and application of collagen as the mainstream of the grand health industry is growing rapidly in both domestic and foreign markets. A variety of products using collagen as raw materials have been listed in the national strategic emerging industries catalog.

#### **Collagen Sausage Casings**

In 2022, the economic downturn still continued globally, the external environment became more complicated and uncertain, and the domestic economy also faced triple pressures of demand contraction, supply shock and weakening expectation. In terms of the domestic market, as the epidemic continued, consumption occasions such as dining out and outdoor activities were greatly reduced, the overall economic situation was sluggish, and the downstream meat products enterprises also shifted to a stable and conservative strategy. In addition, meat products enterprises in certain regions came to a halt or reduced production due to epidemic control, which also caused certain impact on the demand for collagen sausage casings. In terms of the international market, factors such as high shipping costs, variable shipping schedules and epidemic control measures in the countries where customers are located also exerted a greater impact on the Group's exports.

In 2022, the Group carried out its work by centering on “stabilising quality, expanding new products and maintaining production capacity” in the collagen sausage casings industry. The Group continued to take stabilising the quality of collagen sausage casings products as its top priority, and implemented the accountability system and supervision system from the production segment to the sales segment to ensure the normal operation of facilities and equipment as well as proper production operation, so as to guarantee product quality. The Group strived to adjust the proportion of high-end casings and increasing the production and sales of high-end casings such as medium and large-sized diameter, and the sales volume of new products gradually increased. The Group had completed some R&D and technical renovation projects, through which the Group will increase production capacity and reduce production costs without increasing the sites. In terms of internal management, the Group continued to strengthen management awareness and clarify management responsibilities, implement and enhance supervision and standardise behaviours.

Moreover, during the Year, the Group always performed its safety production measures well in accordance with the epidemic prevention and control requirements to ensure that all production segments were implemented as required. Also, in facing customer feedback, the Group actively absorbed and improved as needed to improve the quality stability of sausage casing products and secure key customers, so as to promote the sales of new products, and consolidate its industry position and brand reputation.

## **Other Products**

With the deepened implementation of “Healthy China 2030” Planning Outline, as a sunrise industry, the grand health industry enjoys enormous development potential. It is a national emerging strategic industry with the engagement of various “new power and new energy”. By focusing on the grand health industry, it will bring strong driving force to the development of China’s health industry.

For collagen food products, the Group’s products already include collagen rice noodles, collagen drinks, beef tendon and collagen oat drinks. In order to enrich the product range, the Group obtained the production licence for collagen oat drinks during the Year and made various preparations for mass production.

For collagen skincare products, the Group further improved the quality of skincare products, continuously upgraded product formula, and developed a number of new products while improving the supporting of production capacity for each product. Related products will be launched on the market soon.

For collagen medical devices, Guangdong Victory Biotech Co., Ltd. (“Guangdong Victory”) and Wuzhou Victory Biotech Co., Ltd. (“Wuzhou Victory”) have obtained the dual certification of ISO13485 and ISO22442 from the European Union. We have filed the medical collagen raw materials on the website published by relevant state authorities, which will help improve the legal feasibility of customers’ selection of the Group’s medical collagen raw materials. The “collagen bone filling biomaterials (artificial bone) (胶原蛋白骨填充材料(人工骨))” have been approved by the Ethics Committee of Clinical Trials, and clinical trials are in progress in several hospitals.

The Group’s “Preparation Method of Low Endotoxin Collagen (低內毒素膠原蛋白的製備方法)” was granted a national invention patent. We completed the installation of the “band-aids“ production equipment, the Type I medical device products, with successful trial production. The Group was also in the process of the animal trials and discussions on clinical trial protocols for “in vivo absorbable hemostatic dressing (體內可吸收止血敷料)”and “medical beauty product (small beauty needle) (醫美產品(小美容針))”.

For healthcare products, the market channel building of Ferguson (Wuhan) Biotech Co., Ltd. (“Ferguson Wuhan”), in which the Group has equity interests, continued to achieve results and gradually expanded the market channels for many new products.

## Honours of the Group

During the Year, the Group was awarded the “2022 National Intellectual Property Demonstration Enterprise (2022年國家知識產權示範企業)” by China National Intellectual Property Administration, the “Top 100 Manufacturing Enterprises in Guangxi (廣西製造業企業100強)” by the Confederation of GuangXi’s Enterprises and Employers, the “Guangxi Top 100 Private Enterprises in Manufacturing (廣西民營企業製造業100強)” by Guangxi Zhuang Autonomous Region Federation of Industry and Commerce and “The Leading Industrial Enterprise in Guangxi (廣西工業龍頭企業)” by the Department of Industry and Information Technology of Guangxi Zhuang Autonomous Region in recognition of the Group’s outstanding performance.

## Patents

As at 31 December 2022, the Group had the following patents:

	<b>Total number of patents granted</b>	<b>Within the validity period</b>	<b>Accepted and pending approval</b>
China National Intellectual Property Administration	105	71	6
Intellectual Property Office, Ministry of Economic Affairs, Taiwan	2	2	–
United States Patent and Trademark Office	1	1	–
Intellectual Property Office of Singapore	1	1	–
	<hr/>	<hr/>	<hr/>
Total	<u>109</u>	<u>75</u>	<u>6</u>



## **Quality Control**

The Group strictly controls every production step to ensure its products are of the best quality and have complied with all food safety requirements. The Group's production and manufacture of collagen sausage casings has passed the certification of ISO9001 Quality Management System, ISO22000 Food Safety Management System, ISO10012 Measurement Management System and ISO14000 Environmental Management System, and has obtained the Food Production Licence and the Filing of Export Food Manufacturers (出口食品生產企業備案證). The Group has also registered with the Food and Drug Administration in the United States for export of sausage casing products to Southeast Asia, Europe and the United States. In addition, the production of all the Group's sausage casing products have strictly complied with the PRC's national standards (GB14967-94), sausage casing manufacturing industry standards (SB/T10373-2012) and the filed corporate standards (Q/WZSG0001S-2012). All these certifications are the recognition of the Group as a trustworthy product supplier to its customers.

Guangxi Wuzhou Zhongguan Testing Technology Services Co., Ltd. ("Wuzhou Zhongguan"), a subsidiary of the Group, is able to examine over 800 indicators, including physicochemical indicators such as heavy metals and microelements, pesticide residues, microorganisms and proteins. Currently, Wuzhou Zhongguan continues to independently undertake third-party inspection assignments, undertake various food and relevant product testing services and issue officially recognised testing reports, delivering external sales revenue. Such qualifications recognition is going to lay a solid foundation for the Group to develop into a collagen raw materials base, thereby facilitating the healthy development of high-end foods, healthcare products and medicines in the grand health industry.

## **Customer Relationship**

The Group is committed to developing long-term cooperation relationships based on mutual trust with its business partners and has built a sophisticated customer network. The Group has established its closely-knit yet extensive network of leading meat products processing and sausage manufacturers, not only for cooperation with enterprises in the PRC, but also with those in various overseas markets, such as South America, Southeast Asia and the United States. During the Year, the Group continued to supply high-quality sausage casing products to a number of renowned food suppliers in the PRC. On the basis of stabilising existing customers, the Group continued to solicit new customers and had achieved good results.

## **Supply of Raw Materials**

Cattle inner skin is a major raw material for collagen sausage casing production. The supply of cattle inner skin remained stable over the past few years. However, affected by factors such as the economic downturn, the supply of cattle inner skin was slightly tight during the Year, and the prices of which, as well as the prices of other raw materials and auxiliary materials, have risen significantly, bringing cost pressure to the Group.

Guangxi Zhiguan Industrial Development Co., Limited (“Guangxi Zhiguan”), one of the Group’s major cattle inner skin providers, applied for the Food Production Licence under “the Measures for the Administration of Food Production Licensing of the PRC” and “Food Safety Law of the PRC” on a voluntary basis. The licence has been granted by Wuzhou Bureau for Administrative Examination and Approval with a valid period until October 2027.

## **FINANCIAL ANALYSIS**

### **Revenue**

Revenue decreased by approximately 11.6% to approximately RMB1,032.2 million for the Year from approximately RMB1,168.1 million for the year ended 31 December 2021 (the “Prior Year”). The decrease was mainly due to the escalation of the COVID-19 epidemic and the various COVID-19 control policies and measures adopted by the governments of Mainland China and other countries, which resulted in the disruption of business activities and logistics of many enterprises including the Group and our business partners, hence resulting in the decrease in demand for our products.

### **Cost of sales**

Cost of sales increased by approximately 1.6% to approximately RMB871.7 million for the Year from approximately RMB857.6 million for the Prior Year, including the write-off and provision of inventory other than raw materials of approximately RMB18.8 million, as compared to the net reversal of write-off and provision of approximately RMB1.8 million for the Prior Year. Excluding such items, the cost of sales for the Year decreased by approximately 0.8% as compared to the Prior Year. The costs of raw materials for the Year increased by approximately 3.5% to approximately RMB434.5 million as compared with that of the Prior Year. In addition, the charges for energy decreased by approximately 4.3% to approximately RMB162.7 million. The direct labor costs decreased by approximately 7.8% to approximately RMB139.9 million.

### **Gross profit**

Gross profit decreased by approximately 48.3% to approximately RMB160.5 million for the Year from approximately RMB310.5 million for the Prior Year. Gross profit margin decreased to approximately 15.5% for the Year from approximately 26.6% for the Prior Year, mainly attributable to the decrease in demand and the increase in transportation and procurement expenses due to various COVID-19 control policies and measures adopted by the governments of Mainland China and other countries. The unit cost of sales increased due to higher costs of raw materials, cost of auxiliary materials and charges for energy, which was partially offset by higher average selling prices of products.

## **Other income and gains**

Other income and gains increased by approximately 16.3% to approximately RMB62.3 million for the Year from approximately RMB53.6 million for the Prior Year. During the Year, the Group recorded a total fair value gain on derivative financial instruments of approximately RMB5.2 million, which mainly represented a gain of approximately RMB3.1 million from a forward foreign exchange contract entered into by the Group during the Year. Please refer to the section headed “Derivative financial instruments” below for details.

## **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately 7.7% to approximately RMB33.8 million for the Year from approximately RMB36.6 million for the Prior Year. Selling and distribution expenses as a percentage of revenue increased to approximately 3.3% for the Year from approximately 3.1% for the Prior Year.

## **Administrative expenses**

Administrative expenses increased by approximately 5.9% to approximately RMB153.1 million for the Year from approximately RMB144.5 million for the Prior Year. The Group phased out equipment with lower production efficiency for the Prior Year, therefore recorded related losses of approximately RMB10.2 million in total, and the related losses were approximately RMB0.3 million for the Year.

The Group recorded an exchange loss of approximately RMB16.9 million in total for the Year due to the depreciation of Renminbi against the U.S. dollars and Hong Kong dollars, as compared to an exchange loss of approximately RMB2.1 million in total for the Prior Year. The Group’s investment in an associate recorded an impairment of approximately RMB6.9 million for the Year due to adverse changes in economic and market conditions.

## **Finance costs**

Finance costs increased by approximately 73.4% to approximately RMB9.2 million for the Year from approximately RMB5.3 million for the Prior Year, mainly attributable to the increase in bank borrowings and the hiking market interest rates.

## **Share of loss of an associate**

During the Year, Ferguson Wuhan contributed a share of loss of approximately RMB0.8 million to the Group as compared to approximately RMB1.4 million for the Prior Year.

## **Reversal of impairment/ impairment of trade and bills receivables**

The Group recorded an impairment of trade receivables of approximately RMB13.2 million for the Prior Year, as compared to a reversal of impairment of trade receivables of approximately RMB9.8 million for the Year.

## **Income tax expenses**

Income tax expenses were approximately RMB14.2 million for the Year, as compared to approximately RMB43.0 million for the Prior Year. The Company's major operating subsidiary, Guangxi Shenguan Collagen Biological Group Co., Ltd. (廣西神冠膠原生物集團有限公司) ("Shenguan Collagen") enjoys a preferential tax treatment due to its location in western China and fall into the industry category encouraged by government policies. The applicable tax rate for Wuzhou Shenguan is 15%.

The effective tax rates applied to the Group were approximately 26.4% and approximately 39.8% of profit before tax for the Prior Year and for the Year, respectively. The higher effective tax rates for the Year and for the Prior Year than the applicable tax rate of major operating subsidiary was mainly due to the provision of dividend withholding tax and losses recorded by some subsidiaries of the Group.

## **Loss attributable to non-controlling interests**

The loss attributable to non-controlling interests was approximately RMB2.1 million for the Year, which mainly represented the total loss attributable to the non-controlling interests in all non-wholly owned subsidiaries.

## **Profit attributable to owners of the Company**

As stipulated in the aforesaid reasons, profit attributable to owners of the Company decreased by approximately 80.8% to approximately RMB23.6 million for the Year from approximately RMB122.7 million for the Prior Year.

## **Liquidity and Capital Resources**

### ***Cash and bank borrowings***

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks.

As at 31 December 2022, cash and cash equivalents together with pledged deposits and time deposits amounted to approximately RMB1,363.6 million (31 December 2021: approximately RMB1,359.4 million), representing an increase of approximately RMB4.2 million from the end of 2021. Among these balances, approximately 95.9% was denominated in Renminbi, and the remaining 4.1% was denominated in Hong Kong dollars, Singapore dollars and U.S. dollars.

As at 31 December 2022, total bank borrowings of the Group amounted to approximately RMB535.2 million, representing an increase of approximately RMB117.0 million (31 December 2021: approximately RMB418.2 million), and all bank borrowings were wholly repayable within one year. Total bank borrowings denominated in Renminbi was approximately RMB242.2 million, total bank borrowings denominated in U.S. dollars was approximately US\$28.6 million (equivalent to approximately RMB199.2 million), and total bank borrowings denominated in Hong Kong dollars was HK\$105.0 million (equivalent to approximately RMB93.8 million).

The Group was in a net cash position (cash and cash equivalents together with pledged deposits and time deposits less total bank borrowings) of approximately RMB828.4 million as at 31 December 2022 (2021: RMB941.2 million), representing a decrease of approximately RMB112.8 million from the end of 2021. The debt-to-equity ratio was 21.5% as at 31 December 2022 (as at 31 December 2021: 16.1%). The debt-to-equity ratio was calculated by dividing the total bank borrowings and lease liabilities by the total equity.

### ***Cash flows***

During the Year, the net cash inflow of approximately RMB106.0 million and RMB44.8 million were generated from operating activities and investing activities, respectively, while financing activities utilised approximately RMB71.0 million. The net cash inflow from investing activities was mainly the cash inflow from the decrease in time deposits with original maturity of more than three months when acquired and the deposits received for disposal of pharmaceutical products marketing authorisation, partially offset by the cash outflow for the increase in pledged time deposits and the acquisition of land, property, plant and equipment. Please refer to the section headed “Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures” below for details of the disposal of pharmaceutical products marketing authorisation. The net cash outflow from financing activities was mainly attributable to the combined effects of new bank loans and the repayment of bank loans, and the payment of final dividend for the year of 2021.

### ***Derivative financial instruments***

During the Year, in order to control the exchange rate risk, the Group entered into a forward foreign exchange contract with a bank for a bank loan with a principal of US\$28.6 million, and sold RMB and buy U.S. dollars at a fixed forward exchange rate, so as to pay the principal and interest of the U.S. dollar loan at maturity. As at 31 December 2022, the fair value of the contract was an asset of approximately RMB3.1 million. Please refer to the announcement of the Group dated 20 May 2022 for details.

### ***Exposure to exchange risks***

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. The assets and liabilities, and transactions arising from the operations are mainly denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board believes that the future currency fluctuations will not have any material impact on the Group’s operations. The Group had not adopted formal hedging policies.

Please refer to the section headed “Derivative financial instruments” above for exchange rate risk controls for individual bank loan by the Group.

### ***Capital expenditure***

The capital expenditure of the Group during the Year amounted to approximately RMB50.3 million, which was mainly used for the acquisition of land, property, plant and equipment, and the capital commitments as at 31 December 2022 amounted to approximately RMB157.4 million, which were mainly related to the improvement and upgrades of production facilities.

The estimated capital expenditure of the Group for 2023 of approximately RMB300.0 million will be used for the expansion, upgrade and intellectualization of production facilities for sausage casing business to increase productivity, as well as expansion of production facilities of the newly developing business, and the renovation and addition of equipment for the research and development center in Singapore.

### **Pledge of assets**

As at 31 December 2022, pledged bank deposits amounted to approximately RMB314.2 million in total.

### **Contingent liabilities**

As at 31 December 2022, the Group was not aware of any material contingent liabilities.

### **Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

The Group had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

On 26 October 2022, Wuzhou Sanjian Pharmaceutical Co., Ltd. (廣西梧州三箭製藥有限公司) (“Wuzhou Sanjian”), a wholly-owned subsidiary of the Group, entered into the Assignment Agreement and Contract with Guangxi Weiwei Pharmaceutical Co., Ltd. (廣西維威製藥有限公司) (“Guangxi Weiwei”), pursuant to which Wuzhou Sanjian agreed to (i) assign the pharmaceutical products marketing authorisation in respect of fifty (50) pharmaceutical products to Guangxi Weiwei for an aggregate consideration of approximately RMB42.11 million (5% VAT included); and (ii) sell the raw materials to Guangxi Weiwei for an aggregate consideration of approximately RMB7.54 million (VAT excluded). As of 31 December 2022, the above-mentioned pharmaceutical products marketing authorisation assignment was still in progress and the received consideration of approximately RMB39.7 million was included in other payables. Please refer to the announcement of the Group dated 26 October 2022 for details.

### **Subsequent Events after the Year**

There were no important events affecting the Group that have occurred since 31 December 2022.



## **Human Resources**

As at 31 December 2022, the Group hired a total of approximately 2,710 contract employees (as at 31 December 2021: 2,650). During the Year, the total remuneration and employees' benefit expenses charged to profit or loss were approximately RMB185.6 million (Prior Year: approximately RMB192.9 million). In order to attract and retain high quality talents to ensure smooth business operation and to cope with the need of the Group's continuing expansion, the Group offers competitive remuneration packages with reference to the market conditions as well as individual qualifications and experience.

## **PROSPECTS AND STRATEGIES**

The Central Economic Work Conference was held in Beijing in December 2022, which emphasised that the economic works for next year should perform well, Chinese-style modernization should firmly propel, work general keynote should seek progress while upholding and maintaining stability, should focus on high-quality development, should better coordinate epidemic prevention and control as well as economic and social development, should integrate the implementation of expanding domestic demand strategy with deepening supply-side structural reform, and efforts should be made to stabilise growth, employment and prices. The Central Economic Work Conference highlighted the "Three Stability Tasks", which implies that market expectations are expected to be significantly improved, and specific measures to facilitate domestic economic greater circulation are also expected to be introduced.

In 2022, Guangxi promulgated "Certain Measures for Implementing a Package of Policies to Steady and Stabilize the Economy to Protect Market Entities (《關於貫徹落實紮實穩住經濟一攬子政策力保市場主體的若干措施》)" and "Guangxi's Implementation Plan for Implementing Cross-Cycle Adjustments to Further Stabilize Foreign Trade (《廣西落實跨週期調節進一步穩外貿實施方案》)" to help mitigate the operating pressure of enterprises. Moreover, as the sausage industry in domestic market develops high-end products, the market demand for imitated high-end natural casings is gradually increasing, by virtue of which the Group will usher in a good opportunity for a new round of development. The industrial layout of "Three Developments and One Core" constructed by the Group will continue to be based on collagen sausage casings, with collagen food products, collagen skin care products and collagen medical devices as the main development directions.

With the continuous control of the COVID-19 epidemic in the PRC and the gradual return to economic expansion. In 2023, the Group will carry out its work by centering on “stabilising quality and expanding capacity, adjusting structure and increasing efficiency”. For the collagen casing business, the Group will (1) continue to maintain quality stability as a priority, and establish a preventive mechanism in future; (2) continue to improve the technical transformation of production line for collagen sausage casings to improve production efficiency; (3) implement process reengineering, equipment reengineering and management reengineering to improve the economic benefits of the Company; (4) improve the supporting production capacity of new products such as collagen food products, and increase the proportion of sales of new products; (5) further promote information management to improve the quality of enterprise management; (6) promote the development of medical collagen and medical beauty products, and further accelerate the pace of product marketing.

For collagen food products, the Group will continue to improve the equipment and supporting facilities required for the mass production of various products including collagen rice noodles and collagen oat drinks. At the same time, the Group will also adjust the marketing strategy and expand the marketing team, and strive to achieve better performance through methods including live streaming.

For collagen skincare products, the Group will research and develop new products such as daily skin care products and cleaning products to expand the “Luxina” product chain, increase the development of several “COLL-FULL” new products series and promote the sales of multiple products. At the same time, the Group will also put more efforts into advertising and sales planning, and fully promote online (e-commerce, micro commerce) and offline sales.

For collagen medical devices, the Group will further intensify the research on medical collagen to produce products with higher purity, better activity and lower cost. The Group will continue to promote the clinical trial of the Type III medical device of the “collagen bone filling biomaterials (artificial bone) (膠原蛋白骨填充材料(人工骨))”, and endeavour to enter clinical trials of “medical beauty product (small beauty needle) (醫美產品(小美容針))” and “collagen wound dressing (膠原蛋白傷口敷料)” as soon as possible.

Finally, the team of the Company will continue to endeavour and propel the continuous growth of the grand health industry of Shenguan and further broaden the application of collagen technology to generate better returns on investment for the shareholders.



## **OTHER INFORMATION**

### **Dividends**

The Directors recommended the payment of a final dividend of HK2.0 cents per ordinary share and a special final dividend of HK4.0 cents per ordinary share for the Year to shareholders whose names appear on the register of members of the Company on 9 June 2023 (Friday). Subject to the approval of the shareholders at the forthcoming annual general meeting, it is expected that the final dividend and the special final dividend will be paid on or around 30 June 2023 (Friday).

### **Closure of Register of Members**

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 31 May 2023 (Wednesday), the register of members of the Company will be closed from 25 May 2023 (Thursday) to 31 May 2023 (Wednesday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 24 May 2023 (Wednesday). For determining entitlement to the final dividend and the special final dividend (if approved at the forthcoming annual general meeting), the register of members of the Company will be closed from 6 June 2023 (Tuesday) to 9 June 2023 (Friday), both days inclusive. The record date will be 9 June 2023 (Friday). The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 5 June 2023 (Monday). During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, and to qualify for the final dividend and the special final dividends (if approved at the forthcoming annual general meeting), all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the dates and times stated above respectively.

### **Purchase, Redemption or Sale of Listed Securities of the Company**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

### **Model Code Set out in Appendix 10 to the Listing Rules**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of conduct regarding Directors' securities transactions. The Company has also adopted the Model Code for the members of senior management of the Group.

The Company has made specific enquiry with all the Directors and all the Directors have confirmed that they had complied with the Model Code during the Year. Moreover, no incident of non-compliance of the Model Code by the senior management was noted by the Company during the Year.

## **Corporate Governance Code**

The Company's corporate governance practices for the Year are based on the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange.

Save as disclosed below, the Board considered that the Company had complied with all the code provisions as set out in the Code contained in Appendix 14 to the Listing Rules during the Year.

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Zhou Yaxian, who acts as the chairman (the "Chairman") and the president of the Company, is also responsible for overseeing the general operations of the Group. The Company has not appointed any chief executive officer and the daily operations of the Group are delegated to other executive Directors, the management and various department heads. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with code provision C.2.1 of the Code and will continue to consider the feasibility of appointing the chief executive. The Company will make timely announcement if the chief executive has been appointed.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, there is effective communication with the shareholders and their views are communicated to the Board as a whole. The Chairman meets at least annually with the independent non-executive Directors without the other Directors being present.

## **Audit Committee**

The audit committee of the Board had reviewed the audited consolidated annual results of the Group for the Year and considered that the Company had complied with all applicable laws, accounting standards and requirements, and had made adequate disclosure.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year as set out in this announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary announcement.

By order of the Board  
**Shenguan Holdings (Group) Limited**  
**Zhou Yaxian**  
*Chairman*

Hong Kong, 24 March 2023

*As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi; the non-executive Director is Dato' Sri Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Yang Xiaohu.*