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粵海廣南(集團)有限公司
GDH GUANGNAN (HOLDINGS) LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock code: 01203)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) of GDH Guangnan (Holdings) Limited (the “**Company**”) is pleased to present the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”).

Unaudited financial highlights for the six months ended 30 June

	2022	2021	
	HK\$'000	HK\$'000	Change
Revenue	<u>3,379,641</u>	<u>1,894,942</u>	78.4%
Profit from operations	<u>129,249</u>	<u>65,940</u>	96.0%
Profit attributable to shareholders	<u>62,051</u>	<u>47,146</u>	31.6%
Basic earnings per share	<u>HK 6.8 cents</u>	<u>HK 5.2 cents</u>	30.8%
Interim dividend per share	<u>HK 1.0 cent</u>	<u>HK 1.0 cent</u>	0.0%

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS, PROSPECTS AND OTHER INFORMATION

RESULTS

For the first half of 2022, the Group's unaudited consolidated profit attributable to shareholders was HK\$62,051,000, representing an increase of 31.6% compared with HK\$47,146,000 for the same period last year. The basic earnings per share was HK6.8 cents, an increase of 30.8% from HK5.2 cents for the same period last year.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend for 2022 of HK1.0 cent per share (2021: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2022, the Group's consolidated revenue was HK\$3,379,641,000, representing an increase of HK\$1,484,699,000 or 78.4% from HK\$1,894,942,000 for the same period last year. Profit from operations was HK\$129,249,000, representing an increase of HK\$63,309,000 or 96.0% from HK\$65,940,000 for the same period last year.

A summary of the performance of the Group's major businesses during the period is set out as follows:

Fresh and Live Foodstuffs

GDH Guangnan Hong Company Limited ("**GDH Guangnan Hong**") is a wholly-owned subsidiary of the Company. GDH Guangnan Hong holds 65% interest in GDH Food (Foshan) Company Limited ("**GDH Food Foshan**"), 51% interest in GDH Guangnan Live Pigs Trading Limited, a 13.21% interest in an associate, Hubei Jinxi Agriculture Development Co., Ltd. ("**Hubei Jinxi**") and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. ("**Guangdong Baojin**"). In addition, the Company holds 100% interest in GDH Guangnan Hong (Guangdong) Company Limited ("**GDH Food**").

The price of live pigs in the second quarter of 2022 has recovered from the decreasing trend, but it has dropped as compared to the same period last year. The construction of meat processing plant in Nanhai District, Foshan City was completed and has commenced production in the second quarter of the year, leading to substantial increase in the level of slaughtering activity as compared to the same period last year. The number of slaughtered live pigs in the first half of the year exceeded 530,000 heads, which is a new profit growth point. The number of live pigs sold increased, leading to an increase in sales of live pigs' distribution business. However, the results of the two associates engaged in pig farming and pig sales continued to be affected by the drop in swine price and became loss-making, as compared to profit-making in the same period last year.

The fresh and live foodstuffs business accounted for 52.9% of the Group's revenue. In the first half of 2022, the revenue of the fresh and live foodstuffs business amounted to HK\$1,788,677,000, representing an increase of HK\$1,266,493,000 or 242.5% as compared to the same period last year. Together with the share of losses of two associates, Hubei Jinxi and Guangdong Baojin, with a total of HK\$30,003,000 (30 June 2021: share of profits of HK\$13,496,000), the segment profit was HK\$39,104,000, representing a decrease of HK\$12,015,000 or 23.5% as compared to the same period last year.

Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, enhanced service standards and actively maintained the market supply, the overall market share in live pig supply into Hong Kong was about 47%, together with the active expansion in the chilled meat wholesale business and slaughtering business in Mainland China, both of them provided a certain contribution to the profit of the Group.

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. (“**GDH Zhongyue**”) and GDH Zhongyue (Qinhuangdao) Tinplate Industrial Co., Ltd. (formerly known as GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.) (“**GDH Zhongyue Qinhuangdao**”) are the wholly-owned subsidiaries of the Company. Currently, the annual production capacity of tinplate products and blackplates of the Group are 490,000 tonnes and 140,000 tonnes respectively, of which 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from GDH Zhongyue’s capacity while 200,000 tonnes of tinplate products are from GDH Zhongyue Qinhuangdao’s capacity.

The tinplating industry competition is intense. Due to the impact of repeated COVID-19 pandemic outbreaks in Mainland China, the economy has slow down and the demand of tinplate decreased, leading to the decrease of the sales volume as compared to the same period last year. The profit from tinplate business has increased through the improvement in sales structure, reduction in cost and enhancement in production efficiency, as compare to the same period last year. The Group produced 150,000 tonnes of tinplate products, representing a decrease of 6.3% as compared to the same period last year. Among which, GDH Zhongyue and GDH Zhongyue Qinhuangdao produced 106,000 tonnes and 44,000 tonnes respectively, a decrease of 0.2% and 18.4% respectively as compared to the same period last year. In addition, the Group sold 151,000 tonnes of tinplate products, a decrease of 1.1% as compared to the same period last year, of which, GDH Zhongyue and GDH Zhongyue Qinhuangdao sold 107,000 tonnes and 44,000 tonnes respectively. Selling price of tinplate products increased year on year during the period. The revenue of the tinplating business accounted for 46.8% of the Group’s revenue. The revenue for the period was HK\$1,580,164,000, an increase of HK\$218,167,000 or 16.0% as compared to the same period last year. The segment profit was HK\$70,344,000, an increase of HK\$41,210,000 or 141.4% as compared to the same period last year.

Due to the intense market competition, the Group increased domestic sales, and strived to strengthen the supply chain management of raw material procurement by increasing the proportion of domestic raw material procurement, so as to effectively control procurement costs. Meanwhile, the Group strived to enhance product quality and enrich product mix to increase added values, which in return gains customers’ recognition. The Group also strived to make every effort in market expansion to enlarge its customer base. Accordingly, profit growth would be attained leveraging on such marketing strategies covering the whole value chain.

Property Leasing

The Group’s leasing properties comprise the plant and dormitories of GDH Zhongyue and the office units in Hong Kong. In the first half of 2022, the property occupancy rate for the property leasing business of the Group was 93.3%, representing an increase of 1.7 percentage points as compared to the same period last year. Revenue was HK\$10,800,000, an increase of 0.4% as compared to the same period last year. The segment profit amounted to HK\$4,881,000, a decrease of 25.2% as compared to the same period last year. In addition, the value of investment properties held by the Group increased. Valuation gain on investment properties of HK\$4,718,000 were recorded for the period.

Yellow Dragon

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

In the first half of 2022, Yellow Dragon recorded a continuing loss of HK\$23,093,000. As the Company holds a 40% interest in Yellow Dragon, the Group’s share of loss was HK\$9,237,000 (30 June 2021: HK\$14,767,000).

In December 2021, the Company, together with certain other holders of equity interest in Yellow Dragon, intended to dispose of their respective equity interest through public tender on the China Beijing Equity Exchange. Such public tender has subsequently ceased due to lack of bidder. On 9 August 2022, the Board has resolved to voluntarily liquidate Yellow Dragon in accordance with Company Law of the People’s Republic of China.

FINANCIAL POSITION

As at 30 June 2022, the Group’s total assets and total liabilities amounted to HK\$4,245,357,000 and HK\$1,480,180,000, representing a decrease of HK\$5,418,000 and an increase of HK\$137,734,000 respectively when compared with the positions at the end of 2021. Net current assets decreased from HK\$1,162,769,000 at the end of 2021 to HK\$1,102,158,000 as at 30 June 2022. The current ratio (current assets divided by current liabilities) decreased from 2.0 at the end of 2021 to 1.8 as at 30 June 2022.

Liquidity and Financial Resources

The Group’s cash and cash equivalents as at 30 June 2022 was HK\$756,550,000, representing a decrease of 21.9% when compared with the position at the end of 2021, of which 82.1% was denominated in Renminbi, 6.4% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income was HK\$5,190,000, representing an increase of HK\$689,000 year on year.

As at 30 June 2022, the group’s net cash (being pledged deposits and cash and cash equivalents less borrowings) was HK\$397,249,000, a decrease of 36.5% comparing with the position at the end of 2021. As the Group was in a net cash position, no gearing ratio was presented (31 December 2021: net cash position).

As at 30 June 2022, the Group’s available banking facilities which are used for working capital and trade finance purposes amounted to HK\$2,756,405,000 (31 December 2021: \$2,018,038,000), of which HK\$945,132,000 (31 December 2021: \$823,368,000) was utilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group’s needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group’s capital expenditure in the first half of 2022 amounted to HK\$98,238,000 (30 June 2021: HK\$123,459,000). The Group’s capital commitments at 30 June 2022 amounted to HK\$44,427,000 (31 December 2021: HK\$267,831,000), mainly for the reconstruction of south area of the slaughterhouse of GDH Food Foshan as well as the renovation of production facilities of GDH Zhongyue and GDH Zhongyue Qinhuangdao. It is expected that the capital expenditure for 2022 will be approximately HK\$142,665,000.

Acquisitions of Investments

On 6 June 2022, GDH Guangnan Investment Company Limited (“**Guangnan Investment**”), being a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with POSCO Holdings Inc. (formerly known as POSCO Co., Ltd.) (“**POSCO**”), and POSCO-China Holding Corporation (“**POSCO-China**”), pursuant to which, Guangnan Investment has conditionally agreed to acquire the equity interest, being 34% of the equity interest in GDH Zhongyue Qinhuangdao (held by POSCO and POSCO-China as to 24% and 10%, respectively), for a total consideration of RMB85,000,000 (equivalent to approximately HK\$100,045,000). Upon Completion, GDH Zhongyue Qinhuangdao was owned 66% by GDH Zhongyue Industrial Material Limited and 34% by Guangnan Investment, and, accordingly, an indirect wholly-owned subsidiary of the Company.

Apart from the above, the Group had no material acquisitions and disposals of investments during the first half of 2022.

Pledge of Assets

As at 30 June 2022, deposits at banks of HK\$10,199,000 (31 December 2021: HK\$14,387,000) were pledged as securities for bills payable.

As at 30 June 2022, an amount of HK\$410,677,000 (31 December 2021: \$539,042,000) among the unutilised banking facilities which were secured by mortgages over land and buildings with an aggregate carrying value of \$421,401,000 (31 December 2021: \$419,601,000). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

The Group’s operations are mainly conducted in Mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily through purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollars against Renminbi. In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates or entering into forward foreign exchange contracts where necessary to address short-term imbalances.

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2022, no unsettled forward foreign exchange contracts against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2021, forward foreign exchange contracts of USD5,000,000 (equivalent to HK\$39,000,000) against Renminbi were held by the Group.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents, bank loans and lease liabilities. Lendings and borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As the Group considers that its current exposure to interest rate risk is not material, no interest rate hedging has been carried out. The management closely monitors the changes in market interest rates.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 1,193 full-time employees, an increase of 74 from 1,119 at the end of 2021. 180 employees were based in Hong Kong and 1,013 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2022, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

PROSPECTS

The international environment was featured with increasing and severe uncertainties in the first half of 2022. With the unpredictable evolvement of crisis in Ukraine, the slowdown of worldwide economic growth caused by the frequent interest rate rises by the Federal Reserve and other unexpected factors such as the impact of reoccurrence of COVID-19 pandemic in China, Chinese economy encountered increasing stress on economic downturn. Against the backdrop of a host of uncertainties in both domestic and foreign economies as well as the recession risk of global economy, the Group will face some challenges in its operation.

As for the fresh and live foodstuffs business, the Group will, standing on a new development stage to implement new development philosophy, accelerate the optimisation and restructuring of its capital deployment to continuously improve the quality and efficiency of its capital resources allocation, in bid to strengthen, enhance and expand the fresh and live foodstuffs business. Moreover, the Group will further consolidate the development foundation of the wholesale and retail trade business and focus on grasping the development opportunities of modern agriculture. Focusing on the "vegetable basket" market in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will invest in the construction of an integrated industrial chain operation platform of "livestock and poultry breeding – slaughter and processing – cold chain distribution – fresh marketing", cultivate new profit growth points, establish a multi-level sales channel system, and explore new business models such as e-commerce and new food retail, so as to achieve leapfrog development in the entire chain of fresh products. Guided by market demand and supported by scientific and technological innovation, the Group will accelerate the transformation of the development mode of the fresh and live foodstuffs industry, optimise the structural layout of the fresh and live foodstuffs industry and enhance the comprehensive production and service capabilities and core competitiveness of the fresh and live foodstuffs industry.

As for butchery and processing and cold chain logistics, the Group will develop the upstream breeding industry and downstream retail business. It will establish a platform for the whole agri-food industry chain and expand incremental business of modern agriculture and fresh and live food services, in an effort to continuously provide consumers with assured, high-quality and safe fresh or processed products. In the first half of 2022, the slaughterhouse in Nanhai District, Foshan City was opened and pushed ahead with the work on slaughter lines, food processing and environmental protection workshops in an orderly manner, while strictly complying with the meat inspection requirements of the government authorities to provide consumers with safe and quality fresh or processed products. By doing so, the slaughterhouse maintained stable operations and recorded profits.

In respect of the tinplating business, the Group adheres to the customer-oriented, innovation-driven development strategy, continues to improve the core competitiveness of the Group's product quality, craftsmanship and technology, and builds itself into the most reliable tinplate supply chain service provider for customers. By understanding the operation of customers, expanding the development of new customers, and fully satisfying customer needs, the Group ensures the full utilization of production capacity and further enhances corporate competitiveness. Adhering to the profit-oriented marketing strategy, the Group optimises product structures and strengthens the information exchange among marketing teams.

In the face of the ongoing COVID-19 pandemic, the downward pressure on the global economy, and the risks and challenges faced by the fresh and live foodstuffs and tinplating business, the Group will continue to strengthen risk prevention and control in business operations, adjust business strategies in a timely manner, and ensure the sustainable development of its business. Leveraging on its sound financial strategy and abundant cash flows, the Group will seize every development opportunity in the Guangdong-Hong Kong-Macao Greater Bay Area with an aim to enhance its scale of corporate revenue and profitability, thereby maximizing value for its shareholders.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2022, which have been reviewed by the Company's Audit Committee (the "Audit Committee").

Consolidated Income Statement

For the six months ended 30 June 2022 - unaudited

(Expressed in Hong Kong dollars)

		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2022</i>	<i>2021</i>
		<i>\$'000</i>	<i>\$'000</i>
Revenue	3	3,379,641	1,894,942
Cost of sales		(3,086,823)	(1,709,770)
Gross profit		292,818	185,172
Other revenue	4	12,082	7,658
Other net gains	5	5,336	1,525
Selling and distribution costs		(34,658)	(46,586)
Administrative expenses		(85,252)	(64,043)
Other operating expenses		(61,077)	(17,786)
Profit from operations		129,249	65,940
Valuation gain/(losses) on investment properties	10(b)	4,718	(2,900)
Finance costs	6(a)	(1,515)	(1,744)
Share of losses of associates		(39,240)	(1,271)
Profit before taxation	6	93,212	60,025
Income tax	7	(21,128)	(6,023)
Profit for the period		72,084	54,002
Attributable to:			
Equity shareholders of the Company		62,051	47,146
Non-controlling interests		10,033	6,856
Profit for the period		72,084	54,002
Interim dividend	8(a)	9,076	9,076
Earnings per share			
Basic	9(a)	6.8 cents	5.2 cents
Diluted	9(b)	6.8 cents	5.2 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022 - unaudited
(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>	
	2022	2021
	\$'000	\$'000
Profit for the period	<u>72,084</u>	<u>54,002</u>
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(98,850)	14,856
– associates outside Hong Kong	(17,284)	4,067
– tax expenses related to a subsidiary outside Hong Kong	<u>(1,089)</u>	<u>(583)</u>
Net-of-tax amount	<u>(117,223)</u>	<u>18,340</u>
Total comprehensive income for the period	<u>(45,139)</u>	<u>72,342</u>
Attributable to:		
Equity shareholders of the Company	(47,265)	63,538
Non-controlling interests	<u>2,126</u>	<u>8,804</u>
Total comprehensive income for the period	<u>(45,139)</u>	<u>72,342</u>

Consolidated Statement of Financial Position

At 30 June 2022

(Expressed in Hong Kong dollars)

		At 30 June 2022 Unaudited \$'000	At 31 December 2021 Audited \$'000
Non-current assets			
Property, plant and equipment	10	1,247,921	1,233,481
Investment properties	10	283,384	286,875
		<u>1,531,305</u>	1,520,356
Goodwill		1,415	1,415
Interest in associates		296,764	353,908
		<u>1,829,484</u>	1,875,679
Current assets			
Inventories	11	575,813	478,919
Trade and other receivables, deposits and prepayments	12	1,073,311	912,580
Pledged deposits		10,199	14,387
Cash and cash equivalents	13	756,550	969,210
		<u>2,415,873</u>	2,375,096
Current liabilities			
Trade and other payables	14	1,037,906	916,938
Bank loans	15	256,653	200,000
Loan from a fellow subsidiary		-	85,617
Lease liabilities		4,076	4,127
Current tax payable		15,080	5,645
		<u>1,313,715</u>	1,212,327
Net current assets		<u>1,102,158</u>	1,162,769
Total assets less current liabilities		<u>2,931,642</u>	3,038,448
Non-current liabilities			
Bank loans		112,847	72,207
Deferred revenue		10,254	11,491
Lease liabilities		8,949	11,018
Deferred tax liabilities		34,415	35,403
		<u>166,465</u>	130,119
Net assets		<u>2,765,177</u>	2,908,329
Capital and reserves			
Share capital		459,651	459,651
Reserves		2,188,483	2,219,573
Total equity attributable to equity shareholders of the Company		<u>2,648,134</u>	2,679,224
Non-controlling interests		117,043	229,105
Total equity		<u>2,765,177</u>	2,908,329

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2022 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The financial information relating to the financial year ended 31 December 2021 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tinplating : this segment produces and sells tinplate and related products which are mainly used as packaging materials for food processing manufacturers.
- Fresh and live foodstuffs : this segment distributes, purchases and sells fresh, live and chilled foodstuffs, and provides slaughtering services.
- Property leasing : this segment leases office and industrial premises to generate rental income.

3. Revenue and segment reporting (Continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Tinplate products	1,580,164	1,361,997
- Fresh and live foodstuffs	1,719,719	461,524
	3,299,883	1,823,521
Commission income from the distribution of fresh and live foodstuffs	42,027	46,574
Income from slaughtering business	26,931	14,086
Revenue from other sources		
Rental income from property leasing	10,800	10,761
	3,379,641	1,894,942
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	266,191	214,382
Mainland China	2,563,519	1,280,561
Asian countries (excluding Mainland China and Hong Kong)	323,938	226,156
Other countries	225,993	173,843
	3,113,450	1,680,560
	3,379,641	1,894,942

The geographical analysis above includes property rental income from external customers in Hong Kong and in Mainland China for the six months ended 30 June 2022 of \$971,000 (30 June 2021: \$3,288,000) and \$9,829,000 (30 June 2021: \$7,473,000) respectively.

3. Revenue and segment reporting (Continued)

(b) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	<i>Tinplating</i>		<i>Fresh and live foodstuffs</i>		<i>Property leasing</i>		<i>Total</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>For the six months ended 30 June</i>								
Reportable segment revenue	<u>1,580,164</u>	<u>1,361,997</u>	<u>1,788,677</u>	<u>522,184</u>	<u>10,800</u>	<u>10,761</u>	<u>3,379,641</u>	<u>1,894,942</u>
Reportable segment profit	<u>70,344</u>	<u>29,134</u>	<u>39,104</u>	<u>51,119</u>	<u>4,881</u>	<u>6,526</u>	<u>114,329</u>	<u>86,779</u>
<i>As at 30 June/ 31 December</i>								
Reportable segment assets -including interest in associates	<u>2,244,541</u>	<u>2,323,602</u>	<u>1,304,187</u>	<u>1,059,273</u>	<u>285,064</u>	<u>288,137</u>	<u>3,833,792</u>	<u>3,671,012</u>
	<u>-</u>	<u>-</u>	<u>236,373</u>	<u>280,056</u>	<u>-</u>	<u>-</u>	<u>236,373</u>	<u>280,056</u>
Reportable segment liabilities	<u>673,852</u>	<u>735,569</u>	<u>642,916</u>	<u>545,471</u>	<u>43,287</u>	<u>44,585</u>	<u>1,360,055</u>	<u>1,325,625</u>

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

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit		
Reportable segment profit derived from the Group's external customers and associates	114,329	86,779
Unallocated income and expenses	(15,083)	(7,343)
Valuation gains/(losses) on investment properties	4,718	(2,900)
Finance costs	(1,515)	(1,744)
Share of loss of an associate not attributable to any segment	(9,237)	(14,767)
Consolidated profit before taxation	93,212	60,025

3. Revenue and segment reporting (Continued)

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

	<i>At</i> 30 June 2022 \$'000	<i>At</i> 31 December 2021 \$'000
Assets		
Reportable segment assets	3,833,792	3,671,012
Interest in an associate not attributable to any segment	60,391	73,852
Unallocated assets	351,174	505,911
Consolidated total assets	<u>4,245,357</u>	<u>4,250,775</u>
Liabilities		
Reportable segment liabilities	1,360,055	1,325,625
Unallocated liabilities	120,125	16,821
Consolidated total liabilities	<u>1,480,180</u>	<u>1,342,446</u>

4. Other revenue

	<i>Six months ended 30 June</i>	
	2022	2021
	\$'000	\$'000
Interest income on financial assets measured at amortised cost	5,190	4,501
Subsidies received	2,590	491
Others	4,302	2,666
	<u>12,082</u>	<u>7,658</u>

5. Other net gains

	<i>Six months ended 30 June</i>	
	2022	2021
	\$'000	\$'000
Net realised and unrealised exchange gain	5,245	1,413
Net (losses)/gains on forward foreign exchange contracts	(65)	291
Net gains/(losses) on disposal of property, plant and equipment	156	(179)
	<u>5,336</u>	<u>1,525</u>

6. Profit before taxation

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

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>(a) Finance costs</i>		
Interest on bank loans	2,622	149
Interest on loan from a fellow subsidiary	1,873	1,243
Interest on lease liabilities	152	352
Other interest expense	121	-
	4,768	1,744
Less: interest expense capitalised into construction-in-progress*	(3,253)	-
	1,515	1,744
<i>(b) Staff costs</i>		
Net contributions to defined contribution retirement plans	11,176	9,025
Salaries, wages and other benefits	121,054	98,387
	132,230	107,412
<i>(c) Other items</i>		
Depreciation charge		
- Owned property, plant and equipment	39,507	30,029
- Right-of-use assets	2,366	3,006
Research and development costs	59,756	17,786
Rentals receivable from investment properties less direct outgoings of \$816,000 (30 June 2021: \$684,000)	(9,984)	(10,077)

* The borrowing costs have been capitalised at a rate of 1.20% - 4.25% during the period (30 June 2021: Nil).

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>
Current tax – Hong Kong		
Provision for the period	2,572	1,451
Current tax – the People’s Republic of China (the “PRC”)		
Provision for the period	17,178	555
Deferred tax		
Origination and reversal of temporary differences	1,378	4,017
	<u>21,128</u>	<u>6,023</u>
	(i)	

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2021: 16.5%) to the six months ended 30 June 2022.

Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 15% or 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.

8. Dividends

- (a) *Dividends payable to equity shareholders of the Company attributable to the interim period:*

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2021: 1.0 cent) per ordinary share	<u>9,076</u>	<u>9,076</u>

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

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

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of 1.5 cents (30 June 2021:1.5 cents) per ordinary share	<u>13,614</u>	<u>13,614</u>

9. Earnings per share

- (a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to ordinary equity shareholders of the Company of \$62,051,000 (30 June 2021: \$47,146,000) and 907,593,000 (30 June 2021: 907,593,000) ordinary shares in issue during the period.

- (b) *Diluted earnings per share*

There were no potential dilutive shares in existence during the six months ended 30 June 2022 and 2021.

10. Property, plant and equipment, and investment properties

(a) *Acquisitions and transfers of owned assets*

During the six months ended 30 June 2022, the Group had acquired land use rights of \$Nil (30 June 2021: HK\$74,098,000) and additions to property, plant and equipment with a cost of \$98,238,000 (30 June 2021: \$49,361,000). Also, the Group transferred from investment properties to property, plant equipment amounted to \$Nil (30 June 2021: \$181,700,000) at fair value upon change in use.

(b) *Investment properties*

The valuations of investment properties carried at fair value were updated at 30 June 2022 by independent firms of surveyors, RHL Appraisal Limited (31 December 2021: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), using same valuation techniques as were used by the valuer when carrying out the December 2021 valuations. As a result of the update, valuation gain of \$4,718,000 (30 June 2021: valuation losses of \$2,900,000) have been recognised in profit or loss for the period.

11. Inventories

	<i>At</i> 30 June 2022 \$'000	<i>At</i> 31 December 2021 \$'000
Raw materials, spare parts and consumables	363,750	221,278
Work in progress	22,760	61,133
Finished goods	189,303	196,508
	<u>575,813</u>	<u>478,919</u>

12. Trade and other receivables, deposits and prepayments

As of the end of the reporting period, the ageing analysis of trade debtors, bills receivable and trade balances due from a related company (which are included in trade and other receivables, deposits and prepayments), net of loss allowance, is as follows:

	<i>At</i> 30 June 2022 \$'000	<i>At</i> <i>31 December</i> 2021 \$'000
Within 1 month	713,618	591,438
1 to 3 months	91,516	21,472
Over 3 months	161	20
	805,295	612,930

In respect of trade receivables relating to the tinplating business, deposits, prepayments and bills or letters of credit are normally obtained from customers. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are usually due within 1 to 3 months from the date of billing or the date of receipt of goods by the customers. For the foodstuffs trading business and slaughtering business, the credit period usually ranges from 1 to 2 months. For the distribution of fresh and live foodstuffs business, the credit period is usually less than 1 month. Cash deposits or financial guarantees from other parties are required for certain customers. For the Group's property leasing business, rental is collected 1 month in advance and rental deposits are obtained from the tenants. In general, debtors of the Group with balances that are more than 1 month overdue are requested to settle all outstanding balances before any further credit is granted.

13. Cash and cash equivalents

	<i>At</i> 30 June 2022 \$'000	<i>At</i> <i>31 December</i> 2021 \$'000
Deposits with banks	340,013	320,592
Cash at bank and on hand	416,537	648,618
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	756,550	969,210

14. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors, bills payable and trade balances due to a related company and an associate (which are included in trade and other payables) is as follows:

	<i>At</i> 30 June 2022 \$'000	<i>At</i> 31 December 2021 \$'000
Due within 1 month or on demand	309,627	299,098
Due after 1 month but within 3 months	84,662	93,570
Due after 3 months but within 1 year	133,516	202,565
	527,805	595,233

15. Bank loans

As at 30 June 2022, the Group's available banking facilities amounted to \$2,756,405,000 (31 December 2021: \$2,018,038,000), of which \$945,132,000 (31 December 2021: \$823,368,000) was utilised. Certain portion of the utilised banking facilities were secured by deposits. The remaining unutilised banking facilities include \$410,677,000 (31 December 2021: \$539,042,000) which were secured by mortgages over land and buildings with an aggregate carrying value of \$421,401,000 (31 December 2021: \$419,601,000).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2022, none of the covenants relating to drawn down facilities had been breached.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 June 2022, except for the following deviation:

Under code provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Wang Longhai, the non-executive Director, was unable to attend the annual general meeting and the extraordinary general meeting held on 10 June 2022 due to other business engagement. All independent non-executive Directors have attended the said general meetings either in person or by means of electronic facilities.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend for 2022 of HK1.0 cent per share (2021: HK1.0 cent per share). The interim dividend will be paid on Tuesday, 25 October 2022 to the shareholders whose names appear on the register of members of the Company on Friday, 7 October 2022.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 6 October 2022 and Friday, 7 October 2022. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 5 October 2022.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2022. The interim financial report is unaudited, but has been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on both the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.gdguangnan.com. The interim report of the Company for the Period containing all information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Chen Benguang
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the Board is composed of three executive Directors, namely Mr. Chen Benguang, Mr. Yang Zhe and Mr. Chau Wang Kei; one non-executive Director, namely Mr. Wang Longhai; and three independent non-executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.