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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Financial highlights for the year ended 31 December			
	2022	2021	
	HK\$'000	HK\$'000	Change
Revenue	<u>8,311,752</u>	<u>4,855,567</u>	71.2%
Profit from operations	<u>277,034</u>	<u>155,302</u>	78.4%
Profit attributable to shareholders	<u>135,673</u>	<u>54,062</u>	151.0%
Earnings per share – Basic	<u>HK 14.9 cents</u>	<u>HK 6.0 cents</u>	148.3%
Dividend per share			
Interim	HK 1.0 cent	HK 1.0 cent	
Proposed final	HK 2.0 cents	HK 1.5 cents	
	<u>HK 3.0 cents</u>	<u>HK 2.5 cents</u>	20.0%

CHAIRMAN’S STATEMENT

I am pleased to report to the shareholders that GDH Guangnan (Holdings) Limited (the “Company”) and its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$8,311,752,000, representing an increase of HK\$3,456,185,000 or 71.2% from HK\$4,855,567,000 in 2021. Profit from operations was HK\$277,034,000, representing an increase of HK\$121,732,000 or 78.4% from HK\$155,302,000 in 2021. Consolidated profit attributable to equity shareholders of the Company was HK\$135,673,000 in 2022, representing an increase of 151.0% compared with HK\$54,062,000 in 2021. The basic earnings per share was HK 14.9 cents, representing an increase of 148.3% from HK 6.0 cents in 2021.

The Board of Directors of the Company (the “Board”) recommends the payment of a final dividend of HK 2.0 cents per share for the year 2022. The abovementioned final dividend for 2022, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 18 July 2023.

Business Development

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 a 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.

For new investment and operation projects, in the first half of year 2022, the slaughterhouse in Nanhai District, Foshan City commenced operation, and pushed ahead with the work on slaughter lines, meat product processing in an orderly manner. In strict accordance with the meat inspection requirements of the government authorities, the Company comprehensively strengthened the supervision of meat product quality, strictly implemented the relevant inspection and quarantine systems, providing consumers with safe and quality fresh or processed products and achieving stable and profitable operation. In the second half of the year 2022, the Group acquired the equity interest of GDH Food (Zhuhai) Company Limited (formerly known as Zhuhai Yue Guang Feng Investment Company Limited) (“GDH Food Zhuhai”) and Brilliant Food Products Limited (“Brilliant Food”), as well as purchased an industrial building property in Chai Wan, so as to deepen the layout of the slaughtering industry, further extend the downstream processing and wholesale and retail chain.

Business Development (Continued)

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 deeply exploring market information, understanding the operation of customers, expanding the development of new customers, and fully satisfying customer needs, the Group ensures the full utilisation of production capacity and further enhances corporate competitiveness. Adhering to the profit-oriented marketing strategy, the Group strengthens the information exchange among marketing teams and industry peers, and works together with them to refine the prediction of business trends and analysis, so as to balance the business structure. By continuously paying attention to the market condition, improving the ability to predict, and adjusts the pace of material procurement in a scientific manner, the negative impact of the decline of commodity prices also has been effectively dealt with.

For the associates, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") commenced voluntary liquidation in accordance with Company Law of the People's Republic of China in August 2022. In addition, the performance of the two associates engaging in pig farming and pig sales has also improved with reduced losses as comparing to that in 2021.

Prospects

Currently, the international environment was featured with increasing and severe uncertainties. 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, Chinese economy encountered increasing stress on economic downturn. Against the recession risk of global economy, the Group will face some challenges in its operation.

In the face of 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 expand new business growth points while ensuring business stability, so as to ensure the continuous growth of the Group's operating results. 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.

Chen Benguang

Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Fresh and Live Foodstuffs

GDH Guangnan Hong Company Limited (“GDH Guangnan Hong”) is a wholly-owned subsidiary of the Company. GDH Guangnan Hong holds 70% interest in Brilliant Food, 65% interest in GDH Food (Foshan) Company Limited, 51% interest in GDH Guangnan Live Pigs Trading Limited, a 13.21% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. (“Hubei Jinxu”) and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. (“Guangdong Baojin”). In addition, the Company holds 100% interest in GDH Guangnan Hong (Guangdong) Company Limited and GDH Food Zhuhai.

In 2022, the revenue of the fresh and live foodstuffs business amounted to HK\$5,475,432,000, representing an increase of HK\$3,764,606,000 or 220.0% as compared to that in 2021. Together with the share of loss of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$13,216,000 (2021: share of losses of HK\$25,604,000), the segment profit was HK\$139,176,000, representing an increase of HK\$80,472,000 or 137.1% as compared to that in 2021. Upon the commencement of production at the meat processing plant in Nanhai District, Foshan City in the second quarter of year 2022, the slaughtering volume increased to over 1,600,000 heads in 2022, representing an increase of 227.9% as compared to that in 2021, and it became a new profit growth point for the Group. The sales volume of live pigs increased, leading to an increase in revenue of live pigs’ distribution and self-operated business. In addition, as a result of the expansion of chilled meat wholesale business in Mainland and the profit contributed by Brilliant Food which was newly acquired in September 2022, as well as the reduced losses recorded by 48.4% as compared to last year from the improved performance of two associates which are engaged in pig farming and sales of pigs that managed to effectively capture the recovery in swine prices with increased sales volume in the second half of 2022, leading to the overall increase in segment profit as compared to 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 the live pigs supply into Hong Kong was about 47%, together with the expansion in the chilled meat wholesale business and slaughtering business in Mainland, as well as the actively expansion in wholesale business in Hong Kong, those provided a certain contribution to the earnings of the Group.

In addition, GDH Food Zhuhai was in the process of construction of a Zhuhai-Hong Kong-Macau food processing plant in Doumen District, Zhuhai City and is expected to be put into operation in the second half year of 2023. After launching production, it will be a high-standard slaughterhouse integrating pig, cattle and sheep slaughtering in Doumen District.

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. (“GDH Zhongyue”) and GDH Zhongyue (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 revenue of the tinplating business accounted for 33.9% of the Group’s revenue. In 2022, the 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 last year. Due to improvements of marketing mix and enhancement for the management of cost reductions, an increase in profit has been recorded during year 2022 as compared to year 2021. The Group produced 288,000 tonnes of tinplate products, representing a decrease of 10.0% as compared to that in 2021. Among which, GDH Zhongyue and GDH Zhongyue Qinhuangdao produced 198,000 tonnes and 90,000 tonnes respectively. In addition, the Group sold 287,000 tonnes of tinplate products, a decrease of 10.9% as compared to that in 2021, of which, GDH Zhongyue and GDH Zhongyue Qinhuangdao sold 195,000 tonnes and 92,000 tonnes respectively. The revenue was HK\$2,816,329,000, a decrease of HK\$306,184,000 or 9.8% as compared to that in 2021. The segment profit was HK\$138,398,000, an increase of HK\$53,455,000 or 62.9% as compared to that in 2021.

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

Property Leasing

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

In 2022, the property occupancy rate for the property leasing business of the Group was 93.4%, representing an increase of 2.2 percentage points as compared to that in 2021. With a concessionary policy for some tenants in response to the domestic epidemic in Mainland, revenue was HK\$19,991,000, a decrease of 10.1% as compared to that in 2021. The segment profit amounted to HK\$8,955,000, a decrease of 19.4% as compared to that in 2021. In addition, the value of investment properties held by the Group increased. Valuation gains on investment properties of HK\$1,675,000 (2021: valuation losses of HK\$1,098,000) were recorded in 2022.

Yellow Dragon

The Group holds a 40% interest in an associate, Yellow Dragon. Yellow Dragon commenced to voluntarily liquidate in accordance with Company Law of the People’s Republic of China. Currently, the liquidation of Yellow Dragon is in progress. In 2022, the Group’s share of loss was HK\$43,220,000 (2021: share of loss HK\$46,701,000).

FINANCIAL POSITION

As at 31 December 2022, the Group's total assets and total liabilities amounted to HK\$4,884,006,000 and HK\$2,100,093,000, representing an increase of HK\$633,231,000 and HK\$757,647,000 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\$962,005,000 at the end of 2022. The current ratio (current assets divided by current liabilities) decreased from 2.0 at the end of 2021 to 1.6 at the end of 2022.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 31 December 2022 was HK\$1,211,631,000, representing an increase of 25.0% when compared with the position at the end of 2021, of which 79.5% was denominated in Renminbi, 6.8% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income increased from HK\$12,196,000 in 2021 to HK\$14,486,000 in 2022.

As at 31 December 2022, the Group's net cash (being pledged deposits and cash and cash equivalents less borrowings) was HK\$233,869,000, a decrease of 62.6% 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 31 December 2022, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$2,850,332,000, of which HK\$1,228,182,000 was utilised and HK\$1,622,150,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in 2022 amounted to HK\$190,838,000 (2021: HK\$484,610,000). Capital commitments outstanding at 31 December 2022 not provided for in the financial statements amounted to HK\$320,204,000 (2021: HK\$267,831,000), mainly for the construction of Zhuhai-Hong Kong-Macau food processing plant in Doumen District, Zhuhai City of GDH Food Zhuhai and the renovation of production equipment of GDH Zhongyue. It is expected that the capital expenditure for 2023 will be approximately HK\$320,204,000.

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 and conditionally agreed to acquire the equity interest, being 34% of the equity interest in GDH Zhongyue Qinhuangdao, 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.

Acquisitions of Investments (Continued)

On 30 September 2022, GDH Guangnan Hong entered into the sale and purchase agreement and conditionally agreed to purchase the entire issued share capital of Brilliant Food at an aggregate consideration of HK\$50,000,000. The acquisition would be completed in two stages. Upon the first completion, Brilliant Food was indirectly owned as to 70% by the Company and an indirect subsidiary of the Company. The second completion will only be completed if Brilliant Food meets the profit guarantee of HK\$23,000,000 within a three-year period from the first completion date. Upon the second completion, Brilliant Food will be indirectly owned as to 100% by the Company and will become an indirect wholly-owned subsidiary of the Company.

On 10 November 2022, GDH Guangnan Hong entered into the provisional agreement for sale and purchase and conditionally agreed to purchase the property situated at Unit 5, 2/F, Chai Wan Industrial City Phase II, No. 70 Wing Tai Road, Hong Kong at a consideration of HK\$52,800,000.

On 5 December 2022, Guangnan Investment entered into the equity transfer agreement and conditionally agreed to acquire the 100% equity interest of GDH Food Zhuhai for a total consideration of RMB186,120,000 (equivalent to approximately HK\$208,361,000). Upon completion, GDH Food Zhuhai was an indirect wholly-owned subsidiary of the Company.

Except for the abovementioned matter, the Group had no other material acquisitions and disposals of investments during the year.

Pledge of Assets

As at 31 December 2022, deposits at bank of HK\$18,812,000 (2021: HK\$14,387,000) were pledged as securities for bills payable.

As at 31 December 2022, banking facilities amounting to HK\$408,618,000 (2021: HK\$733,860,000) were secured by mortgages over land and buildings with an aggregate carrying value of HK\$357,539,000 (2021: HK\$419,601,000). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 31 December 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.

Exchange Rate and Interest Rate Exposures (Continued)

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 31 December 2022, no forward foreign exchange contract was 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, loan from a fellow subsidiary, lease liabilities and financial liabilities at amortised cost. Lendings and borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As the Group considers that its current exposure to interest rate risk is not material, no interest rate hedging has been carried out. The management closely monitors the changes in market interest rates.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 1,436 full-time employees, an increase of 317 from 1,119 at the end of 2021. 221 employees were based in Hong Kong and 1,215 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.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

The Board announces the consolidated results of the Group for the year ended 31 December 2022, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement For the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Revenue	3	8,311,752	4,855,567
Cost of sales		<u>(7,753,373)</u>	<u>(4,392,114)</u>
Gross profit		558,379	463,453
Other revenue	4	30,298	19,553
Other net gains	5	11,014	3,708
Selling and distribution costs		(24,019)	(89,320)
Administrative expenses		(206,465)	(146,806)
Other operating expenses		<u>(92,173)</u>	<u>(95,286)</u>
Profit from operations		277,034	155,302
Valuation gain/(losses) on investment properties	10	1,675	(1,098)
Finance costs	6(a)	(19,195)	(704)
Share of losses of associates		<u>(56,436)</u>	<u>(72,305)</u>
Profit before taxation	6	203,078	81,195
Income tax	7	<u>(50,042)</u>	<u>(9,666)</u>
Profit for the year		<u>153,036</u>	<u>71,529</u>
Attributable to:			
Equity shareholders of the Company		135,673	54,062
Non-controlling interests		<u>17,363</u>	<u>17,467</u>
Profit for the year		<u>153,036</u>	<u>71,529</u>
Dividends payable to equity shareholders of the Company attributable to the year:			
	8(a)		
Interim dividend declared and paid during the year		9,076	9,076
Final dividend proposed after the end of the reporting period		<u>18,152</u>	<u>13,614</u>
		<u>27,228</u>	<u>22,690</u>

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022 \$'000	2021 \$'000
Earnings per share		
Basic	9(a) <u>14.9 cents</u>	<u>6.0 cents</u>
Diluted	9(b) <u>14.9 cents</u>	<u>6.0 cents</u>
Profit for the year	<u>153,036</u>	<u>71,529</u>
Other comprehensive income for the year:		
<i>Item that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of properties upon transfer to investment properties	<u>-</u>	<u>12,995</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(215,683)	53,482
- associates outside Hong Kong	(34,376)	9,299
- tax credit/(expense) related to a subsidiary outside Hong Kong	<u>2,117</u>	<u>(694)</u>
Net-of-tax amount	<u>(247,942)</u>	<u>75,082</u>
Total comprehensive income for the year	<u>(94,906)</u>	<u>146,611</u>
Attributable to:		
Equity shareholders of the Company	(98,469)	123,917
Non-controlling interests	<u>3,563</u>	<u>22,694</u>
Total comprehensive income for the year	<u>(94,906)</u>	<u>146,611</u>

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Non-current assets			
Property, plant and equipment		1,581,249	1,233,481
Investment properties	10	<u>272,878</u>	<u>286,875</u>
		1,854,127	1,520,356
Goodwill		85,408	1,415
Interest in associates		<u>261,210</u>	<u>353,908</u>
		<u>2,200,745</u>	<u>1,875,679</u>
Current assets			
Inventories	11	526,046	478,919
Trade and other receivables, deposits and prepayments	12	926,772	912,580
Pledged deposits		18,812	14,387
Cash and cash equivalents	13	<u>1,211,631</u>	<u>969,210</u>
		<u>2,683,261</u>	<u>2,375,096</u>
Current liabilities			
Trade and other payables	14	969,461	916,938
Bank loans	15	695,900	200,000
Loan from a fellow subsidiary		32,489	85,617
Lease liabilities		8,869	4,127
Current tax payable		<u>14,537</u>	<u>5,645</u>
		<u>1,721,256</u>	<u>1,212,327</u>
Net current assets		<u>962,005</u>	<u>1,162,769</u>
Total assets less current liabilities		3,162,750	3,038,448
Non-current liabilities			
Bank loans		217,586	72,207
Loan from a fellow subsidiary		50,599	-
Deferred revenue		9,117	11,491
Financial liability at amortised cost		13,961	-
Lease liabilities		13,385	11,018
Deferred tax liabilities		<u>74,189</u>	<u>35,403</u>
		<u>378,837</u>	<u>130,119</u>
Net assets		<u>2,783,913</u>	<u>2,908,329</u>
Capital and reserves			
Share capital		459,651	459,651
Reserves		<u>2,114,242</u>	<u>2,219,573</u>
Total equity attributable to equity shareholders of the Company		2,573,893	2,679,224
Non-controlling interests		<u>210,020</u>	<u>229,105</u>
Total equity		<u>2,783,913</u>	<u>2,908,329</u>

Notes to the consolidated financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This financial information has been prepared on a basis consistent with the accounting policies and methods adopted in the 2021 annual financial statements, except for the accounting policy changes that are reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 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 and will deliver the financial statements for the year ended 31 December 2022 in due course.

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

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are distribution and trading of fresh and live foodstuffs, provision of slaughtering service, manufacturing and sales of tinplate products and property leasing. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue

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

	2022 \$'000	2021 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Fresh and live foodstuffs	5,296,634	1,592,007
- Tinplate products	2,816,329	3,122,513
	<u>8,112,963</u>	<u>4,714,520</u>
Commission income from the distribution of fresh and live foodstuffs		
	118,783	89,576
Income from slaughtering business	60,015	29,243
	<u>8,291,761</u>	<u>4,833,339</u>
Revenue from other sources		
Rental income from property leasing	19,991	22,228
	<u>8,311,752</u>	<u>4,855,567</u>

Disaggregation of revenue from contracts with customers by geographic location is disclosed in note 3(b)(iii).

The Group's customer base is diversified and includes no (2021: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2021, revenue from sales of fresh and live foodstuffs to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately HK\$541,773,000.

3. Revenue and segment reporting (Continued)

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of results arising from the activities of the Group's associates.
- Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments.

In addition, management is provided with segment information concerning revenue and other information relevant to the assessment of segment performance and allocation of resources between segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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

3. Revenue and segment reporting (Continued)

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

	<i>Fresh and live foodstuffs</i>		<i>Tinplating</i>		<i>Property leasing</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	5,475,432	1,710,826	2,816,329	3,122,513	19,991	22,228	8,311,752	4,855,567
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>5,475,432</u>	<u>1,710,826</u>	<u>2,816,329</u>	<u>3,122,513</u>	<u>19,991</u>	<u>22,228</u>	<u>8,311,752</u>	<u>4,855,567</u>
Reportable segment profit	<u>139,176</u>	<u>58,704</u>	<u>138,398</u>	<u>84,943</u>	<u>8,955</u>	<u>11,112</u>	<u>286,529</u>	<u>154,759</u>
Reportable segment assets	1,845,642	1,059,273	2,122,272	2,323,602	274,086	288,137	4,242,000	3,671,012
-including interest in associates	<u>237,321</u>	<u>280,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,321</u>	<u>280,056</u>
Reportable segment liabilities	<u>1,237,205</u>	<u>545,471</u>	<u>562,813</u>	<u>735,569</u>	<u>40,557</u>	<u>44,585</u>	<u>1,840,575</u>	<u>1,325,625</u>
Depreciation for the year	<u>23,397</u>	<u>8,427</u>	<u>55,009</u>	<u>56,451</u>	<u>346</u>	<u>373</u>	<u>78,752</u>	<u>65,251</u>
Interest income	<u>1,118</u>	<u>1,622</u>	<u>6,809</u>	<u>5,372</u>	<u>-</u>	<u>-</u>	<u>7,927</u>	<u>6,994</u>
Write-down/(write-back) of inventories	<u>-</u>	<u>(927)</u>	<u>4,424</u>	<u>5,427</u>	<u>-</u>	<u>-</u>	<u>4,424</u>	<u>4,500</u>
Additions to non-current segment assets during the year (Note)	<u>500,557</u>	<u>619,324</u>	<u>26,292</u>	<u>38,743</u>	<u>-</u>	<u>-</u>	<u>526,849</u>	<u>658,067</u>

Note: The amount includes acquisition of subsidiaries of \$336,038,000 (2021: capital injection in an associate of \$143,449,000) during the year.

3. Revenue and segment reporting (Continued)

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

	2022 \$'000	2021 \$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	286,529	154,759
Unallocated income and expenses	(22,732)	(25,061)
Valuation gain/(losses) on investment properties	1,675	(1,098)
Net fair value gain on derivative financial instruments	21	-
Finance costs	(19,195)	(704)
Share of loss of an associate not attributable to any segment	(43,220)	(46,701)
	<u>203,078</u>	<u>81,195</u>
Assets		
Reportable segment assets	4,242,000	3,671,012
Interest in an associate not attributable to any segment	23,889	73,852
Unallocated assets	618,117	505,911
	<u>4,884,006</u>	<u>4,250,775</u>
Liabilities		
Reportable segment liabilities	1,840,575	1,325,625
Unallocated liabilities	259,518	16,821
	<u>2,100,093</u>	<u>1,342,446</u>

3. Revenue and segment reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of operations, in the case of deposits and prepayments (non-current portion) and interest in associates.

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2022</i> \$'000	<i>2021</i> \$'000	<i>2022</i> \$'000	<i>2021</i> \$'000
Hong Kong (place of domicile)	528,200	417,558	352,093	296,573
Mainland China	6,794,760	3,477,381	1,763,244	1,577,691
Asian countries (excluding Mainland China and Hong Kong)	527,531	449,707	-	-
Other countries	461,261	510,921	-	-
	7,783,552	4,438,009	1,763,244	1,577,691
	8,311,752	4,855,567	2,115,337	1,874,264

The analysis above includes property rental income from external customers in Hong Kong and in Mainland China of \$1,961,000 (2021: \$3,822,000) and \$18,030,000 (2021: \$18,406,000) respectively.

- (iv) The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to all its contracts such that no information regarding revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is disclosed because either the remaining performance obligation is part of a contract that has an original expected duration of one year or less or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

4. Other revenue

	2022 \$'000	2021 \$'000
Interest income on financial assets measured at amortised cost	14,486	12,196
Subsidies received	9,272	1,832
Others	6,540	5,525
	<u>30,298</u>	<u>19,553</u>

5. Other net gains

	2022 \$'000	2021 \$'000
Net realised and unrealised exchange gain	11,301	2,020
Net (losses)/gains on forward foreign exchange contracts	(81)	1,693
Net gain/(loss) on disposal of property, plant and equipment	3,125	(5)
Loss on write-off of property, plant and equipment	(3,352)	-
Net fair value gain on derivative financial instruments	21	-
	<u>11,014</u>	<u>3,708</u>

6. Profit before taxation

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

	2022 \$'000	2021 \$'000
<i>(a) Finance costs</i>		
Interest on bank loan	20,108	1,248
Interest on loan from a fellow subsidiary	2,435	3,452
Interest on lease liabilities	367	664
Other interest expense	-	40
Total interest expense on financial liabilities not at fair value through profit or loss	22,910	5,404
Less: interest expense capitalised into construction in progress*	(3,715)	(4,700)
	<u>19,195</u>	<u>704</u>

* The borrowing costs have been capitalised at a rate of 2.21% - 4.99% (2021: 1.20% - 4.20%) per annum.

6. Profit before taxation (Continued)

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

	2022	2021
	\$'000	\$'000
(b) Staff costs		
Net contributions to defined contribution retirement plans	22,940	19,426
Salaries, wages and other benefits	<u>276,073</u>	<u>216,867</u>
	<u>299,013</u>	<u>236,293</u>
(c) Other items		
Cost of inventories sold (Note (i))	7,722,007	4,362,560
Auditors' remuneration	6,210	4,648
Depreciation charge		
- Owned property, plant and equipment	72,554	58,025
- Right-of-use assets	11,096	9,108
Variable lease payments not included in the measurement of lease liabilities	3,345	1,602
Research and development costs	92,173	95,286
Rental income from investment properties less direct outgoings of \$1,664,000 (2021: \$1,554,000)	<u>(18,327)</u>	<u>(20,674)</u>

Note:

- (i) Cost of inventories sold includes \$164,387,000 (2021: \$186,960,000) relating to staff costs, depreciation expense and write-down of inventories, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	2022 \$'000	2021 \$'000
Current tax – Hong Kong			
Provision for the year		3,442	2,193
Under/(over)-provision in respect of prior years		<u>366</u>	<u>(983)</u>
		<u>3,808</u>	<u>1,210</u>
Current tax – the People’s Republic of China (“PRC”)			
Provision for the year		<u>38,112</u>	<u>11,614</u>
Deferred tax			
Origination and reversal of temporary differences		<u>8,122</u>	<u>(3,158)</u>
	(i)	<u>50,042</u>	<u>9,666</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 is taken into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2021-22 subject to a maximum reduction of \$10,000 for each company (2021: a reduction granted by the Government of the Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2020-21 subject to a maximum reduction of \$10,000 for each company).

Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective rate of 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC, except for a subsidiary that is entitled to tax incentive as a new and high technology enterprise, enjoys 15% annual effective tax rate.

7. Income tax in the consolidated income statement (Continued)

- (ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

In accordance with Caishui (2008) No.1 issued by State Tax Authorities, undistributed profits from the PRC companies up to 31 December 2007 will be exempted from withholding tax when they are distributed in future.

8. Dividends

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

	2022 \$'000	2021 \$'000
Interim dividend declared and paid of 1.0 cent (2021: 1.0 cent) per ordinary share	9,076	9,076
Final dividend proposed after the end of the reporting period of 2.0 cents (2021: 1.5 cents) per ordinary share	<u>18,152</u>	<u>13,614</u>
	<u>27,228</u>	<u>22,690</u>

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

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

	2022 \$'000	2021 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents (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 is based on the profit attributable to ordinary equity shareholders of the Company of \$135,673,000 (2021: \$54,062,000) and 907,593,000 (2021: 907,593,000) ordinary shares in issue during the year.

- (b) *Diluted earnings per share*

There were no potential dilutive shares in existence during the years ended 31 December 2022 and 2021.

10. Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of \$101,700,000 (2021: \$103,500,000) were revalued at 31 December 2022 by an independent firm of surveyors, RHL Appraisal Limited (31 December 2021: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties of the Group situated in the PRC totalling \$171,178,000 (2021: \$183,375,000) were revalued at 31 December 2022 by an independent firm of surveyors, RHL Appraisal Limited (31 December 2021: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The chief financial officer has discussions with the surveyors about the valuation assumptions and valuation results when valuations are performed at each interim and annual report date.

Based on the revaluations, gains of \$1,675,000 (2021: losses of \$1,098,000) have been recognised in the consolidated income statement.

11. Inventories

	2022 \$'000	2021 \$'000
Raw materials, spare parts and consumables	234,894	221,278
Work in progress	31,397	61,133
Finished goods	259,755	196,508
	<u>526,046</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:

	2022 \$'000	2021 \$'000
Within 1 month	656,288	591,438
1 to 3 months	56,203	21,472
Over 3 months	9	20
	<u>712,500</u>	<u>612,930</u>

12. Trade and other receivables, deposits and prepayments (Continued)

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

13. Cash and cash equivalents

	<i>2022</i>	<i>2021</i>
	\$'000	\$'000
Deposits with banks	398,978	320,592
Cash at bank and on hand	812,653	648,618
Cash and cash equivalents in the consolidated statement of financial position	<u>1,211,631</u>	<u>969,210</u>

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>2022</i>	<i>2021</i>
	\$'000	\$'000
Due within 1 month or on demand	243,311	299,098
Due after 1 month but within 3 months	59,914	93,570
Due after 3 months but within 1 year	18,706	202,565
	<u>321,931</u>	<u>595,233</u>

15. Bank loans

As at 31 December 2022, the Group's available banking facilities amounted to \$2,850,332,000 (2021: \$2,018,038,000), which \$1,228,182,000 (2021: \$823,368,000) was utilised. Certain portion of the banking facilities was secured by deposits. The banking facilities include \$408,618,000 (2021: \$733,860,000) which were secured by mortgages over land and buildings with an aggregate carrying value of \$357,539,000 (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 31 December 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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 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.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Company’s Audit Committee.

Purchase, Sale and Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

Annual General Meeting

The 2023 Annual General Meeting of the Company (“AGM”) will be held on Thursday, 15 June 2023 at 11:00 a.m. For the purpose of determining shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 June 2023.

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2021: HK 1.0 cent) per share was paid on 25 October 2022. The Board recommends the payment of a final dividend of HK 2.0 cents (2021: HK 1.5 cents) per share for the year ended 31 December 2022. The proposed final dividend, if approved at the AGM, is expected to be paid on Tuesday, 18 July 2023 to the shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023.

For the purpose of determining shareholders’ entitlements to the proposed final dividend for the year ended 31 December 2022, the register of members will be closed from Friday, 23 June 2023 to Tuesday, 27 June 2023 (both days inclusive) and no transfers of shares will be registered on that period. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at the address as set out above not later than 4:30 p.m. on Wednesday, 21 June 2023.

Publication of Annual Results Announcement and Annual Report

This annual 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 annual report of the Company for the year 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 March 2023

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.