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 2023

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 2023.

Unaudited financial highlights for the six months ended 30 June

	2023	2022	
	HK$'000	HK$'000	Change
Revenue	**4,989,459**	3,379,641	47.6%
Profit from operations	**139,252**	129,249	7.7%
Profit attributable to shareholders	**59,132**	62,051	-4.7%
Basic earnings per share	**HK 6.5 cents**	HK 6.8 cents	-4.4%
Interim dividend per share	**HK 1.0 cent**	HK 1.0 cent	0.0%

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

RESULTS

For the first half of 2023, the Group's unaudited consolidated revenue was HK$4,989,459,000, representing an increase of 47.6% from HK$3,379,641,000 for the same period last year. The unaudited consolidated profit from operations was HK$139,252,000, representing an increase of 7.7% from HK$129,249,000 for the same period last year. The unaudited consolidated profit attributable to shareholders was HK$59,132,000, representing a decrease of 4.7% compared with HK$62,051,000 for the same period last year. The basic earnings per share was HK6.5 cents, a decrease of 4.4% from HK6.8 cents for the same period last year.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend for 2023 of HK1.0 cent per share (2022: HK1.0 cent per share).

BUSINESS REVIEW

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

Fresh and Live Foodstuffs

Upon deployment of new strategies in the fresh and live foodstuff business, the Group has implemented the integrated industrial chain operation platform of "livestock and poultry breeding – slaughter and processing – cold chain distribution – fresh marketing", which enabled the Group to explore new development opportunities in the food processing industry of the Guangdong-Hong Kong-Macao Greater Bay Area.

For the first half of year 2023, the segment profit of our fresh and live foodstuffs business was increased as compare to the corresponding period of last year. With the acquisition of the 100% equity interest in GDH Food (Zhuhai) Company Limited ("GDH Food Zhuhai") in December 2022 and increased slaughtering volume of GDH Food (Foshan) Company Limited, the live pigs slaughtering volume increased to over 1,450,000 heads, which became a new profit growth driver for the Group. In addition, our wholesale and retail of foodstuff business had been scaled up with the acquisition of the 70% equity interest in Brilliant Food Products Limited in September 2022. Nonetheless, the selling price of live pigs continued running low in the first half of year 2023, resulting in the unsatisfactory performance of the two associates which engaged in pig farming and sales of pigs, and in turn partially offset the increased segment profit as aforementioned.

Revenue of the fresh and live foodstuffs business amounted to HK$3,831,666,000, accounted for 76.8% of the Group's revenue, representing an increase of HK$2,042,989,000 or 114.2% as compared to the same period last year. Together with the share of losses of two associates with a total amount of HK$30,057,000 (30 June 2022: share of losses of HK$30,003,000), the segment profit was HK$59,845,000, representing an increase of HK$20,741,000 or 53.0% as compared to the same period last year.

Through continuous optimisation of the business workflow, proactively strengthened communication with stakeholders, enhanced service standards and actively maintained the market supply, the overall market share in live pig supply into Hong Kong maintained at about 47%. Together with our active expansion in the chilled meat wholesale business and slaughtering business in Mainland China, both of lines of business provided a certain contribution to the profit of the Group.

Tinplating

The intensified competition in tinplating industry coupled with slow demand for tinplate products led to the decrease in sales volume and selling price for the Group's tinplating business, as compared to the corresponding period last year. Currently, the annual production capacity of tinplate products and blackplates of the Group are 490,000 tonnes and 140,000 tonnes, respectively. During the period, the Group produced 141,000 tonnes tinplate products, decreased by 6.0% as compared to the same period last year, amongst which, GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. ("GDH Zhongyue") and GDH Zhongyue (Qinhuangdao) Tinplate Industrial Co., Ltd. ("GDH Zhongyue Qinhuangdao") produced 96,000 tonnes and 45,000 tonnes tinplate products, respectively. In addition, the Group sold 143,000 tonnes tinplate products, decreased by 5.3% as compared to the same period last year, of which, GDH Zhongyue and GDH Zhongyue Qinhuangdao sold 98,000 tonnes and 45,000 tonnes tinplate products, respectively.

The revenue of the tinplating business accounted for 23.0% of the Group's revenue. Revenue for the period was HK$1,147,796,000, a decrease of HK$432,368,000 or 27.4% as compared to the same period last year. The segment profit was HK$51,639,000, a decrease of HK$18,705,000 or 26.6% as compared to the same period last year.

Due to intensified market competition, the Group strived to strengthen the supply chain management of raw material procurement, so as to effectively control procurement costs. On the other hand, the Group enhanced the competitiveness of its products through research, development and innovation, as well as enriched product mix to increase added values, which in return gains customers' recognition. The Group also actively sought and explored new market opportunities 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 properties for lease comprise the plant and dormitories of GDH Zhongyue and the office units in Hong Kong. In the first half of 2023, the property occupancy rate for the property leasing business of the Group was 90.6%, representing a decrease of 2.7% as compared to the same period last year. Amid a drop in revenue by 7.4% to HK$9,997,000, with savings in operating expenses, the segment profit amounted to HK$5,178,000, increased by 6.1% as compared to the same period last year. In addition, a valuation gain on investment properties of HK$1,582,000 was recorded for the period (30 June 2022: HK$4,718,000) due to appreciation of property value.

Yellow Dragon

The Group holds a 40% interest in Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon"). In the first half of 2023, the liquidation of Yellow Dragon was in progress and the Group's share of loss was HK$2,415,000 (30 June 2022: HK$9,237,000).

FINANCIAL POSITION

As at 30 June 2023, the Group's total assets and total liabilities amounted to HK$4,816,424,000 and HK$2,076,956,000, representing a decrease of HK$67,582,000 and HK$23,137,000 respectively when compared with the positions at the end of 2022. The net current assets amounted to HK$923,706,000, decreased by HK$38,299,000 as compared with that at the end of 2022. The current ratio (current assets divided by current liabilities) is 1.6, same as that of at the end of 2022.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2023 was HK$937,644,000, representing a decrease of 22.6% when compared with the position at the end of 2022, of which 81.3% was denominated in Renminbi, 3.8% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income was HK$7,789,000, representing an increase of HK$2,599,000 over the same period.

As at 30 June 2023, the Group's gearing ratio, calculated by dividing the net borrowings (being borrowings less pledged deposits and cash and cash equivalents) by total equity attributable to equity shareholders of the Company, was 0.8% (31 December 2022: net cash position).

As at 30 June 2023, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK$3,452,334,000 (31 December 2022: HK$2,850,332,000), of which HK$1,335,999,000 (31 December 2022: HK$1,228,182,000) 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 2023 amounted to HK$259,432,000 (30 June 2022: HK$98,238,000). The Group's capital commitments outstanding at 30 June 2023 not provided for in the interim financial report amounted to HK$76,608,000 (31 December 2022: HK$320,204,000), mainly for the construction of Zhuhai-Hong Kong-Macau food processing plant of GDH Food Zhuhai and the renovation of production facilities of GDH Zhongyue and GDH Zhongyue Qinhuangdao. It is expected that the capital expenditure for 2023 will be approximately HK$336,040,000.

Acquisitions of Investments

On 25 April 2023, GDH Guangnan Investment Company Limited (a direct wholly-owned subsidiary of the Company) ("Guangnan Investment") (as a Limited Partner) entered into the partnership agreement with GDH Private Equity Investment Fund Management Co., Ltd, etc. Pursuant to the partnership agreement, the limited partnership was formed to invest principally in non-listed corporations engaging in the areas of prefabricated dishes, fresh and live foodstuffs retailing, advanced food processing, agricultural, food and catering supply chain, and agricultural technologies. The committed total capital contribution to the limited partnership by all partners was RMB100 million (equivalent to approximately HK$108,460,000), of which the capital contribution of Guangnan Investment was RMB10 million (equivalent to approximately HK$10,846,000).

Apart from the above, the Group had no material acquisitions and disposals of investments during the first half of 2023.

Pledge of Assets

As at 30 June 2023, deposits at banks of HK$4,186,000 (31 December 2022: HK$18,812,000) were pledged as securities for bills payable.

As at 30 June 2023, an amount of HK$677,875,000 (31 December 2022: HK$408,618,000) among the banking facilities which were secured by mortgages over land and buildings with an aggregate carrying value of HK$536,366,000 (31 December 2022: HK$357,539,000). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2023, 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 2023, no unsettled forward foreign exchange contracts against Renminbi were held by the Group to hedge against currency risk in respect of export sales (31 December 2022: none).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 1,509 full-time employees, an increase of 73 from 1,436 at the end of 2022. 176 employees were based in Hong Kong and 1,333 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 2023, 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 domestic and foreign macro environment underwent significant changes in the first half of the year 2023. The international environment was complex and severe, bringing significant uncertainty to economic recovery. Although interest rate rises in Europe and the US may slow down, the overall trend will likely not change in the short term. Against the backdrop of opportunities and challenges in both domestic and foreign economies as well as the recession risk of the global economy, the Group will face some major challenges in its operation.

As for the fresh and live foodstuffs business, by implementing its new development philosophy, the Group will accelerate the optimisation and restructuring of its capital deployment, benchmark with world-class enterprises, and continuously improve the quality and efficiency of its capital resources allocation in a bid to build a strong, high-quality and healthy 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 accelerate the industry’s development, optimise its structural layout, and enhance the production, service capabilities and core competitiveness of its operations.

In respect of the tinplating business, the Group is committed to enhancing the competitiveness of its products through research, development and innovation, and continuously improve and optimise product quality, craftsmanship and technology based on customer needs, so as to ensure that its tinplate products can meet the demands of customers in various industries. Meanwhile, the Group will spend more efforts on expanding and diversifying its customer base, and actively seek and explore new market opportunities.

In the face of the downturn 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 management in business operations; enhance, strengthen and expand major businesses, and adjust business strategies in a timely manner to 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 maximising value for its shareholders.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2023, which have been reviewed by the Company's Audit Committee (the "Audit Committee").

Consolidated Income Statement

For the six months ended 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2023	*2022*
	Note	**$'000**	$'000
Revenue	3	**4,989,459**	3,379,641
Cost of sales		**(4,699,835)**	(3,111,532)
Gross profit		**289,624**	268,109
Other revenue	4	**25,114**	12,082
Other net (losses)/gains	5	**(412)**	5,336
Selling and distribution costs		**(19,451)**	(9,949)
Administrative expenses		**(111,110)**	(86,573)
Other operating expenses		**(44,513)**	(59,756)
Profit from operations		**139,252**	129,249
Valuation gains on investment properties	10(b)	**1,582**	4,718
Finance costs	6(a)	**(9,984)**	(1,515)
Share of losses of associates		**(32,472)**	(39,240)
Profit before taxation	6	**98,378**	93,212
Income tax	7	**(26,642)**	(21,128)
Profit for the period		**71,736**	72,084
Attributable to:			
Equity shareholders of the Company		**59,132**	62,051
Non-controlling interests		**12,604**	10,033
Profit for the period		**71,736**	72,084
Interim dividend	8(a)	**9,076**	9,076
Earnings per share			
Basic	9(a)	**6.5 cents**	6.8 cents
Diluted	9(b)	**6.5 cents**	6.8 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	*2022*
	$'000	$'000
Profit for the period	**71,736**	72,084
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	**(78,577)**	(98,850)
– associates outside Hong Kong	**(8,508)**	(17,284)
– tax expenses related to a subsidiary outside Hong Kong	**(655)**	(1,089)
Net-of-tax amount	**(87,740)**	(117,223)
Total comprehensive income for the period	**(16,004)**	(45,139)
Attributable to:		
Equity shareholders of the Company	**(24,237)**	(47,265)
Non-controlling interests	**8,233**	2,126
Total comprehensive income for the period	**(16,004)**	(45,139)

Consolidated Statement of Financial Position
At 30 June 2023
(Expressed in Hong Kong dollars)

	Note	***At 30 June 2023*** **Unaudited** **$'000**	*At 31 December 2022* Audited $'000
Non-current assets			
Property, plant and equipment	10	**1,752,993**	1,581,249
Investment properties	10	**240,303**	272,878
		1,993,296	1,854,127
Goodwill		**83,487**	85,408
Interests in associates		**220,238**	261,210
Interest in a joint venture		**10,846**	-
		2,307,867	2,200,745
Current assets			
Inventories	11	**578,911**	526,046
Trade and other receivables, deposits and prepayments	12	**987,816**	926,772
Pledged deposits		**4,186**	18,812
Cash and cash equivalents	13	**937,644**	1,211,631
		2,508,557	2,683,261
Current liabilities			
Trade and other payables	14	**985,292**	969,461
Bank loans	15	**542,243**	695,900
Loan from a fellow subsidiary		**32,538**	32,489
Lease liabilities		**8,943**	8,869
Current tax payable		**15,835**	14,537
		1,584,851	1,721,256
Net current assets		**923,706**	962,005
Total assets less current liabilities		**3,231,573**	3,162,750
Non-current liabilities			
Bank loans	15	**323,640**	217,586
Loan from a fellow subsidiary		**63,334**	50,599
Deferred revenue		**8,154**	9,117
Financial liability at amortised cost		**13,961**	13,961
Lease liabilities		**12,888**	13,385
Deferred tax liabilities		**70,128**	74,189
		492,105	378,837
Net assets		**2,739,468**	2,783,913
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**2,071,853**	2,114,242
Total equity attributable to equity shareholders of the Company		**2,531,504**	2,573,893
Non-controlling interests		**207,964**	210,020
Total equity		**2,739,468**	2,783,913

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 2023 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 interim financial report is unaudited, but has been reviewed by the 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 HKICPA.

The financial information relating to the financial year ended 31 December 2022 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 2022 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

(a) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and* errors: *Definition of accounting estimates*

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In July 2023, the HKICPA published "Accounting implications of the abolition of the mandatory provident fund ("MPF")-long service payment ("LSP") offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

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.

- 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.

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:

	Six months ended 30 June	
	2023	*2022*
	$'000	$'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	**3,753,369**	1,719,719
- Tinplate products	**1,147,796**	1,580,164
	4,901,165	3,299,883
Commission income from the distribution of fresh and live foodstuffs	**35,013**	42,027
Slaughtering services income	**43,284**	26,931
Revenue from other sources		
Rental income from property leasing	**9,997**	10,800
	4,989,459	3,379,641
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	**352,374**	266,191
Mainland China	**4,337,924**	2,563,519
Asian countries (excluding Mainland China and Hong Kong)	**167,533**	323,938
Other countries	**131,628**	225,993
	4,637,085	3,113,450
	4,989,459	3,379,641

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 2023 of $950,000 (30 June 2022: $971,000) and $9,047,000 (30 June 2022: $9,829,000) 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.

	Fresh and live foodstuffs		*Tinplating*		*Property leasing*		*Total*	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*	***2023***	*2022*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
For the six months ended 30 June								
Reportable segment revenue	**3,831,666**	1,788,677	**1,147,796**	1,580,164	**9,997**	10,800	**4,989,459**	3,379,641
Reportable segment profit	**59,845**	39,104	**51,639**	70,344	**5,178**	4,881	**116,662**	114,329
As at 30 June/ 31 December								
Reportable segment assets	**2,020,858**	1,845,642	**2,051,841**	2,122,272	**241,462**	274,086	**4,314,161**	4,242,000
-including interest in associates	**200,212**	237,321	**-**	-	**-**	-	**200,212**	237,321
Reportable segment liabilities	**1,299,406**	1,237,205	**621,891**	562,813	**39,383**	40,557	**1,960,680**	1,840,575

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

	Six months ended 30 June	
	2023	*2022*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**116,662**	114,329
Unallocated income and expenses	**(7,467)**	(15,083)
Valuation gains on investment properties	**1,582**	4,718
Finance costs	**(9,984)**	(1,515)
Share of loss of an associate not attributable to any segment	**(2,415)**	(9,237)
Consolidated profit before taxation	**98,378**	93,212

3. Revenue and segment reporting (continued)

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

	At 30 June 2023 **$'000**	*At 31 December 2022* $'000
Assets		
Reportable segment assets	**4,314,161**	4,242,000
Interest in an associate not attributable to any segment	**20,026**	23,889
Unallocated assets	**482,237**	618,117
Consolidated total assets	**4,816,424**	4,884,006
Liabilities		
Reportable segment liabilities	**1,960,680**	1,840,575
Unallocated liabilities	**116,276**	259,518
Consolidated total liabilities	**2,076,956**	2,100,093

4. Other revenue

	Six months ended 30 June	
	2023 **$'000**	*2022* $'000
Interest income on financial assets measured at amortised cost	**7,789**	5,190
Subsidies received	**10,916**	2,590
Others	**6,409**	4,302
	25,114	12,082

5. Other net (losses)/ gains

	Six months ended 30 June	
	2023 **$'000**	*2022* $'000
Net realised and unrealised exchange gain	**1,184**	5,245
Net losses on forward foreign exchange contracts	**(405)**	(65)
Net (losses)/gains on disposal of property, plant and equipment	**(9)**	156
Others	**(1,182)**	-
	(412)	5,336

6. Profit before taxation

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

	Six months ended 30 June	
	2023	*2022*
	$'000	$'000
(a) Finance costs		
Interest on bank loans	**18,441**	2,622
Interest on loan from a fellow subsidiary	**883**	1,873
Interest on lease liabilities	**231**	152
Other interest expense	**-**	121
	19,555	4,768
Less: interest expense capitalised into construction-in-progress*	**(9,571)**	(3,253)
	9,984	1,515
(b) Staff costs		
Net contributions to defined contribution retirement plans	**12,494**	11,176
Salaries, wages and other benefits	**152,080**	121,054
	164,574	132,230
(c) Other items		
Depreciation charge		
- Owned property, plant and equipment	**46,145**	39,507
- Right-of-use assets	**7,159**	2,366
Research and development costs	**44,513**	59,756
Rentals receivable from investment properties less direct outgoings of $833,000 (30 June 2022: $816,000)	**(9,164)**	(9,984)

* The borrowing costs have been capitalised at a rate of 3.26% - 5.97% during the period (30 June 2022: 1.20% - 4.25%).

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

		Six months ended 30 June	
		2023	*2022*
	Note	**$'000**	$'000
Current tax – Hong Kong			
Provision for the period		**2,661**	2,572
Current tax – the People's Republic of China (the "PRC")			
Provision for the period		**23,589**	17,178
Under-provision in respect of prior year		**732**	-
Deferred tax			
Origination and reversal of temporary differences		**(340)**	1,378
	(i)	**26,642**	21,128

Notes:

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2022: 16.5%) to the six months ended 30 June 2023.

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:

	Six months ended 30 June	
	2023	*2022*
	$'000	$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2022: 1.0 cent) per ordinary share	**9,076**	9,076

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:

	Six months ended 30 June	
	2023	*2022*
	$'000	$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 2.0 cents (30 June 2022:1.5 cents) per ordinary share	**18,152**	13,614

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit attributable to ordinary equity shareholders of the Company of $59,132,000 (30 June 2022: $62,051,000) and 907,593,000 (30 June 2022: 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 2023 and 2022.

10. Property, plant and equipment, and investment properties

(a) Acquisitions and transfers of owned assets

During the six months ended 30 June 2023, the Group had acquired additions to property, plant and equipment with a cost of $259,432,000 (30 June 2022: $98,238,000). Also, the Group transferred from investment properties to property, plant and equipment amounted to $28,800,000 (30 June 2022: $Nil) at fair value upon change in use.

(b) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2023 by independent firms of surveyors, RHL Appraisal Limited (31 December 2022: RHL Appraisal Limited), using same valuation techniques as were used by the valuer when carrying out the December 2022 valuations. As a result of the update, valuation gains of $1,582,000 (30 June 2022: $4,718,000) have been recognised in profit or loss for the period.

11. Inventories

	At 30 June 2023	*At 31 December 2022*
	$'000	$'000
Raw materials, spare parts and consumables	**281,902**	234,894
Work in progress	**57,148**	31,397
Finished goods	**239,861**	259,755
	578,911	526,046

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 fellow subsidiaries (which are included in trade and other receivables, deposits and prepayments), net of loss allowance, is as follows:

	At 30 June 2023	*At 31 December 2022*
	$'000	$'000
Within 1 month	**648,534**	656,288
1 to 3 months	**6,957**	56,203
Over 3 months	**208**	9
	655,699	712,500

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. Deposits or prepayments from other parties are required for certain customers. 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 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

	At 30 June 2023	*At 31 December 2022*
	$'000	$'000
Deposits with banks	**155,021**	398,978
Cash at bank and on hand	**782,623**	812,653
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**937,644**	1,211,631

14. Trade and other payables

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

	At 30 June 2023	*At 31 December 2022*
	$'000	$'000
Due within 1 month or on demand	**416,305**	243,311
Due after 1 month but within 3 months	**160**	59,914
Due after 3 months but within 1 year	**51**	18,706
	416,516	321,931

15. Bank loans

As at 30 June 2023, the Group's available banking facilities amounted to $3,452,334,000 (31 December 2022: $2,850,332,000), of which $1,335,999,000 (31 December 2022: $1,228,182,000) was utilised. Certain portion of the utilised banking facilities were secured by deposits. The banking facilities include $677,875,000 (31 December 2022: $408,618,000) which were secured by mortgages over land and buildings with an aggregate carrying value of $536,366,000 (31 December 2022: $357,539,000).

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 2023, 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 2023.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2023, 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 2023 of HK1.0 cent per share (2022: HK1.0 cent per share). The interim dividend will be paid on Wednesday, 25 October 2023 to the shareholders whose names appear on the register of members of the Company on Friday, 6 October 2023.

Closure of Register of Members

The register of members of the Company will be closed on Thursday, 5 October 2023 and Friday, 6 October 2023. 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, 4 October 2023.

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 2023. 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, 31 August 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.