



粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability) (於香港註冊成立的有限公司)
(Stock code 股份代號: 01203)

2023

INTERIM REPORT 中期報告



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Corporate Information

(As at 31 August 2023)

BOARD OF DIRECTORS

Executive Directors

CHEN Benguang (*Chairman*)

YANG Zhe (*General Manager*)

CHAU Wang Kei (*Chief Financial Officer*)

Non-Executive Director

WANG Longhai

Independent Non-Executive Directors

Gerard Joseph MCMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David, *GBS, JP*

AUDIT COMMITTEE

Gerard Joseph MCMAHON (*Chairman*)

LI Kar Keung, Caspar

WONG Yau Kar, David

COMPENSATION COMMITTEE

LI Kar Keung, Caspar (*Chairman*)

Gerard Joseph MCMAHON

WONG Yau Kar, David

NOMINATION COMMITTEE

CHEN Benguang (*Chairman*)

Gerard Joseph MCMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

COMPANY SECRETARY

LIU Wai Kin

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road, Central, Hong Kong

PRINCIPAL BANKERS

DBS Bank Limited

Bank of Communications Co., Ltd.

Bank of China (Hong Kong) Limited

Bank of China Limited

Industrial and Commercial Bank of China (Asia) Limited

Industrial and Commercial Bank of China Limited

Nanyang Commercial Bank, Limited

China Citic Bank Corporation Limited

Agricultural Bank of China Limited

Hang Seng Bank Limited

REGISTERED OFFICE

Units 2905-08, 29th Floor, Shui On Centre

6-8 Harbour Road, Wanchai, Hong Kong

Telephone : (852) 2828 3938

Facsimile : (852) 2583 9288

Website : <http://www.gdguangnan.com>

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

SHARE INFORMATION

Place of Listing : Main Board of
The Stock Exchange of
Hong Kong Limited

Stock Code : 01203

Board Lot : 2,000 shares

Financial Year End : 31 December

SHAREHOLDERS' CALENDAR

Last Share Registration

| | |
|--------------------------------|--------------------------------------|
| Date | 4 October 2023 |
| Closure of Register of Members | 5 October 2023 and 6 October 2023 |
| Interim Dividend | HK1.0 cent per share |
| Payment Date | 25 October 2023 |

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | Change |
|--|---------------------------------|-------------------------------------|--------|
| | 2023 \$'000 | 2022 \$'000 | |
| 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 | 6.5 cents | 6.8 cents | -4.4% |
| Interim dividend per share | 1.0 cents | 1.0 cent | 0.0% |
| | At 30 June 2023 \$'000 | At 31 December 2022 \$'000 | Change |
| Total assets | 4,816,424 | 4,884,006 | -1.4% |
| Shareholders' equity | 2,531,504 | 2,573,893 | -1.6% |
| Net asset value per share ¹ | \$2.79 | \$2.84 | -1.8% |
| Closing market price per share | \$0.62 | \$0.62 | |
| Net cash ² | N/A | 233,869 | |
| Gearing ratio ³ | 0.8% | N/A | |

Notes:

- $$\frac{\text{Shareholders' equity}}{\text{Number of ordinary shares in issue}}$$
- Pledged deposits, cash and cash equivalents – borrowings
- $$\frac{\text{Borrowings – pledged deposits, cash and cash equivalents}}{\text{Shareholders' equity}}$$

Management Discussion and Analysis

RESULTS

For the first half of 2023, the unaudited consolidated revenue of GDH Guangnan (Holdings) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) 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 (the “Board”) of directors (the “Director(s)”) of the Company 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 2023, the segment profit of our fresh and live foodstuffs business was increased as compared 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 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: 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, those businesses provided a certain contribution to the profit of the Group.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

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).

Management Discussion and Analysis (continued)

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.

Management Discussion and Analysis (continued)

FINANCIAL POSITION (continued)

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.

Management Discussion and Analysis (continued)

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 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.

Review Report



Review report to the Board of Directors of GDH Guangnan (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 10 to 35 which comprises the consolidated statement of financial position of GDH Guangnan (Holdings) Limited as of 30 June 2023 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 August 2023

Consolidated Income Statement

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------------|
| | | 2023 \$'000 | 2022 \$'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 | 4 | (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 | 8(b) | 1,582 | 4,718 |
| Finance costs | 5(a) | (9,984) | (1,515) |
| Share of losses of associates | | (32,472) | (39,240) |
| Profit before taxation | 5 | 98,378 | 93,212 |
| Income tax | 6 | (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 |
| Earnings per share | | | |
| Basic | 7(a) | 6.5 cents | 6.8 cents |
| Diluted | 7(b) | 6.5 cents | 6.8 cents |

The notes on pages 17 to 35 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

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 \$'000 | 2022 \$'000 |
| Profit for the period | 71,736 | 72,084 |
| 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 | (78,577) | (98,850) |
| – associates outside Hong Kong | (8,508) | (17,284) |
| – tax expense 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) |

The notes on pages 17 to 35 form part of this interim financial report.

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 | 8 | 1,752,993 | 1,581,249 |
| Investment properties | 8 | 240,303 | 272,878 |
| | | 1,993,296 | 1,854,127 |
| Goodwill | 12 | 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 | 9 | 578,911 | 526,046 |
| Trade and other receivables, deposits and prepayments | 10 | 987,816 | 926,772 |
| Pledged deposits | 21 | 4,186 | 18,812 |
| Cash and cash equivalents | 11 | 937,644 | 1,211,631 |
| | | 2,508,557 | 2,683,261 |
| Current liabilities | | | |
| Trade and other payables | 14 | 985,292 | 969,461 |
| Bank loans | 13 | 542,243 | 695,900 |
| Loan from a fellow subsidiary | 15 | 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 |

Consolidated Statement of Financial Position (continued)

at 30 June 2023
(Expressed in Hong Kong dollars)

| | Note | At 30 June 2023 Unaudited \$'000 | At 31 December 2022 Audited \$'000 |
|--|------|--|--|
| Non-current liabilities | | | |
| Bank loans | 13 | 323,640 | 217,586 |
| Loan from a fellow subsidiary | 15 | 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 |

The notes on pages 17 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

| Note | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity |
|---|--|------------------|---------------------|-------------------------|----------------|------------------|------------------|---------------------------|------------------|
| | Share capital | Exchange reserve | Revaluation reserve | Special capital reserve | Other reserves | Retained profits | Total | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2023 | 459,651 | 59,707 | 15,116 | 107,440 | 97,512 | 1,834,467 | 2,573,893 | 210,020 | 2,783,913 |
| Changes in equity for the six months ended 30 June 2023: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 59,132 | 59,132 | 12,604 | 71,736 |
| Other comprehensive income | - | (83,369) | - | - | - | - | (83,369) | (4,371) | (87,740) |
| Total comprehensive income | - | (83,369) | - | - | - | 59,132 | (24,237) | 8,233 | (16,004) |
| Transfer to statutory reserves | - | - | - | - | 14,670 | (14,670) | - | - | - |
| Dividends approved in respect of the previous year | 16(b) | - | - | - | - | (18,152) | (18,152) | - | (18,152) |
| Dividends paid to minority shareholders | | - | - | - | - | - | - | (10,289) | (10,289) |
| Balance at 30 June 2023 | 459,651 | (23,662) | 15,116 | 107,440 | 112,182 | 1,860,777 | 2,531,504 | 207,964 | 2,739,468 |

Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

| | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity | |
|---|--|-------------------------|----------------------------|-------------------------------|-----------------------------------|--------------------------|----------------------------|---------------------------|--------------|-----------------|
| | Note | Share capital \$'000 | Exchange reserve \$'000 | Revaluation reserve \$'000 | Special capital reserve \$'000 | Other reserves \$'000 | Retained profits \$'000 | | | Total \$'000 |
| Balance at 1 January 2022 | | 459,651 | 293,849 | 15,116 | 107,440 | 70,464 | 1,732,704 | 2,679,224 | 229,105 | 2,908,329 |
| Changes in equity for the six months ended 30 June 2022: | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | 62,051 | 62,051 | 10,033 | 72,084 |
| Other comprehensive income | | - | (109,316) | - | - | - | - | (109,316) | (7,907) | (117,223) |
| Total comprehensive income | | - | (109,316) | - | - | - | 62,051 | (47,265) | 2,126 | (45,139) |
| Transfer to statutory reserves | | - | - | - | - | 1,620 | (1,620) | - | - | - |
| Acquisition of non-controlling interests | | - | - | - | - | 29,789 | - | 29,789 | (129,834) | (100,045) |
| Increment in share capital | | - | - | - | - | - | - | - | 20,750 | 20,750 |
| Dividends approved in respect of the previous year | 16(b) | - | - | - | - | - | (13,614) | (13,614) | - | (13,614) |
| Dividends paid to minority shareholders | | - | - | - | - | - | - | - | (5,104) | (5,104) |
| Balance at 30 June 2022 | | 459,651 | 184,533 | 15,116 | 107,440 | 101,873 | 1,779,521 | 2,648,134 | 117,043 | 2,765,177 |
| Balance at 1 July 2022 | | 459,651 | 184,533 | 15,116 | 107,440 | 101,873 | 1,779,521 | 2,648,134 | 117,043 | 2,765,177 |
| Changes in equity for the six months ended 31 December 2022: | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | 73,622 | 73,622 | 7,330 | 80,952 |
| Other comprehensive income | | - | (124,826) | - | - | - | - | (124,826) | (5,893) | (130,719) |
| Total comprehensive income | | - | (124,826) | - | - | - | 73,622 | (51,204) | 1,437 | (49,767) |
| Transfer to statutory reserves | | - | - | - | - | 9,600 | (9,600) | - | 2,223 | 2,223 |
| Acquisition of subsidiaries | | - | - | - | - | (13,961) | - | (13,961) | 89,120 | 75,159 |
| Dividends approved in respect of the current year | 16(a) | - | - | - | - | - | (9,076) | (9,076) | - | (9,076) |
| Dividends paid to minority shareholders | | - | - | - | - | - | - | - | 197 | 197 |
| Balance at 31 December 2022 | | 459,651 | 59,707 | 15,116 | 107,440 | 97,512 | 1,834,467 | 2,573,893 | 210,020 | 2,783,913 |

The notes on pages 17 to 35 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|------------------|
| | | 2023 \$'000 | 2022 \$'000 |
| Operating activities | | | |
| Cash generated from/(used in) operations | | 85,758 | (104,721) |
| Tax paid, net | | (25,866) | (10,020) |
| Net cash generated from/(used in) operating activities | | 59,892 | (114,741) |
| Investing activities | | | |
| Payment for the purchase of property, plant and equipment | | (244,429) | (97,078) |
| Proceed from disposal of property, plant and equipment | | 5,061 | 910 |
| Investment in a joint venture | | (10,846) | – |
| Net cash used in investing activities | | (250,214) | (96,168) |
| Financing activities | | | |
| Proceeds from loan from a fellow subsidiary | | 27,194 | – |
| Repayment of loan from a fellow subsidiary | | (11,249) | (84,469) |
| Proceeds from bank loans | | 181,825 | 100,470 |
| Repayments of bank loans | | (222,743) | – |
| Dividend paid to minority shareholders | | (10,289) | (5,104) |
| Capital injection by non-controlling interest shareholders to a subsidiary | | – | 20,750 |
| Other cash flows arising from financing activities | | (24,814) | (6,768) |
| Net cash (used in)/generated from financing activities | | (60,076) | 24,879 |
| Net decrease in cash and cash equivalents | | (250,398) | (186,030) |
| Cash and cash equivalents at 1 January | 11 | 1,211,631 | 969,210 |
| Effect of foreign exchange rates changes | | (23,589) | (26,630) |
| Cash and cash equivalents at 30 June | 11 | 937,644 | 756,550 |

The notes on pages 17 to 35 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This 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”). It was authorised for issue on 31 August 2023.

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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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. KPMG’s independent review report to the Board of Directors is included on page 9.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs

The Group has applied the following new and amended 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 \$'000 | 2022 \$'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 service 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 \$'000 | 2022 \$'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 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 AND OTHER NET (LOSSES)/GAINS

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 |
| Other revenue | | |
| 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 |
| Other net (losses)/gains | | |
| 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 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 \$'000 | 2022 \$'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%).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

| | Note | Six months ended 30 June | |
|---|------|--------------------------|----------------|
| | | 2023 \$'000 | 2022 \$'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.

7 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 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 the 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.

9 INVENTORIES

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'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 |

Based on management's assessment of the net realisable value of inventories, there was a reversal of write-down of inventories to estimated net realisable value by approximately \$2,460,000 during the period (30 June 2022: write-down of inventories \$905,000).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'000 |
|---|---------------------------------|-------------------------------------|
| Trade debtors | 448,548 | 382,941 |
| Bills receivable | 207,121 | 329,559 |
| Other receivables, deposits and prepayments | 326,800 | 208,784 |
| Amounts due from fellow subsidiaries (note (i)) | 30 | – |
| Amounts due from associates (note (ii)) | 5,317 | 5,488 |
| Trade and other receivables, deposits and prepayments (note (iii)) | 987,816 | 926,772 |

Notes:

- (i) As at 30 June 2023, the amounts represented trade balances due from fellow subsidiaries which were unsecured, interest-free and recoverable on demand.
- (ii) As at 30 June 2023 and 31 December 2022, the amounts due from associates represented interest and dividend receivables (net of withholding taxes) from associates which were unsecured, interest-free and recoverable on demand.
- (iii) As at 30 June 2023 and at 31 December 2022, all of the trade and other receivables, deposits and prepayments of the Group are expected to be recovered or recognised as expense within one year.

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 \$'000 | At 31 December 2022 \$'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 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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 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.

11 CASH AND CASH EQUIVALENTS

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'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 |

12 GOODWILL

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'000 |
|--|---------------------------------|-------------------------------------|
| Acquisition of: | | |
| – GDH Food (Foshan) Company Limited | 1,415 | 1,415 |
| – Brilliant Food Products Limited | 22,390 | 22,390 |
| – GDH Food (Zhuhai) Company Limited (note (i)) | 59,682 | 61,603 |
| Cost and carrying amount | 83,487 | 85,408 |

Notes:

- (i) The movement solely represented the exchange difference.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 BANK LOANS

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'000 |
|----------------------------------|---------------------------------|-------------------------------------|
| Within 1 year or on demand | 542,243 | 695,900 |
| After 1 year but within 2 years | 16,180 | 21,312 |
| After 2 years but within 5 years | 80,900 | 68,642 |
| After 5 years | 226,560 | 127,632 |
| | 323,640 | 217,586 |
| | 865,883 | 913,486 |

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). Part of the unsecured bank loans amounted to \$470,000,000 (31 December 2022: \$650,000,000) were provided in the facility letters that the Company undertakes to the banks that it shall remain ultimately majority-owned (directly and/or indirectly) by Guangdong Holdings Limited and remain majority-owned (directly and/or indirectly) by GDH Limited. If the Company fails to perform any of its obligations under the facility letters, then the lenders were entitled to request immediate repayment of these outstanding loans and all accrued interests.

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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 TRADE AND OTHER PAYABLES

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'000 |
|---|---------------------------------|-------------------------------------|
| Trade creditors | 133,174 | 188,941 |
| Bills payable | 283,288 | 132,936 |
| Other payables and accrued charges | 483,053 | 588,799 |
| Contract liabilities | 62,083 | 57,950 |
| Amount due to a minority shareholder (note (i)) | 22,126 | – |
| Amount due to an associate (note (ii)) | 54 | 54 |
| Amounts due to fellow subsidiaries (note (iii)) | 900 | 167 |
| Derivative financial instruments (note 17) | 614 | 614 |
| | 985,292 | 969,461 |

Notes:

- (i) The amount relates to the minority shareholder of a non-wholly owned subsidiary. The amount is unsecured, interest-bearing at 3.5% per annum and repayable on demand.
- (ii) The amount represents trade balance due to an associate.
- (iii) The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

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 \$'000 | At 31 December 2022 \$'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 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 LOAN FROM A FELLOW SUBSIDIARY

As at 30 June 2023, the loans from a fellow subsidiary were unsecured and amounted to \$32,538,000 (31 December 2022: \$32,489,000) and \$63,334,000 (31 December 2022: \$50,599,000), repayable within one year and after more than one year with an interest-bearing at 3.0% (31 December 2022: 3.4%) and 3.0% (31 December 2022: 3.7%) per annum respectively.

16 DIVIDENDS

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 \$'000 | 2022 \$'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 \$'000 | 2022 \$'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 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Valuation reports on fair value measurement of financial instruments are prepared by the financial institutions. The chief financial officer has discussions with these financial institutions about the valuation assumptions and valuations results when the valuations are performed at each interim and annual reporting date.

| | Fair value at | Fair value measurements as at | | |
|---|---------------|-------------------------------|---------|---------|
| | 30 June | 30 June 2023 categorised into | | |
| | 2023 | Level 1 | Level 2 | Level 3 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements: | | | | |
| Liability: | | | | |
| Derivate financial instruments (note 14) | 614 | – | – | 614 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

| | Fair value at | Fair value measurements as at | | |
|---|---------------|-----------------------------------|---------|---------|
| | 31 December | 31 December 2022 categorised into | | |
| | 2022 | Level 1 | Level 2 | Level 3 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements: | | | | |
| Liability: | | | | |
| Derivate financial instruments (note 14) | 614 | – | – | 614 |

During the six months ended 30 June 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between the levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of derivate financial instruments in Level 3 is determined by using binomial option pricing model.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees immediately. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution retirement schemes pursuant to the local labour rules and regulations.

For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are not used by the employer to reduce any future contributions.

The Group's pension cost charged to the consolidated income statement for the six months ended 30 June 2023 was \$12,494,000 (30 June 2022: \$11,176,000) (note 5(b)).

19 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report were as follows:

| | At 30 June 2023 \$'000 | At 31 December 2022 \$'000 |
|-----------------------------------|---------------------------------|-------------------------------------|
| Contracted for | 43,257 | 212,486 |
| Authorised but not contracted for | 33,351 | 107,718 |
| | 76,608 | 320,204 |

The Group's capital commitments at 30 June 2023 and 31 December 2022 mainly are related to 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions.

(a) Transactions with related parties

The Group had the following transactions with the related parties during the period which the Directors consider to be material:

| | Note | Six months ended 30 June | |
|--|-----------|--------------------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 |
| Sales of goods to related companies | (i) | – | 166,923 |
| Commission paid/payable to a related company | (i), (ii) | – | 644 |
| Commission received/receivable from associates | (iii) | 10,024 | 11,894 |
| Interest expense paid/payable to a fellow subsidiary | (iv) | 1,867 | 1,550 |
| Purchases of goods from associates | (v) | 6,884 | 5,976 |
| Purchases of goods from related companies including transport services fee paid/payable | (i) | – | 113,771 |
| Purchases of electricity from a fellow subsidiary | (vi) | 21,482 | 22,332 |
| Interest expenses paid/payable to a related party | (vii) | 353 | – |

Notes:

- (i) Related companies refer to former minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Holdings Inc. and its subsidiaries.
- (ii) This represents commission in respect of export distribution services provided by a related company.
- (iii) This represents commission earned for services rendered to associates in respect of distribution of fresh and live foodstuffs which is included in trade debtors.
- (iv) This represents interest expense on loan from a fellow subsidiary.
- (v) This represents purchases of goods from associates in respect of trading of fresh and live foodstuffs.
- (vi) This represents purchases of electricity from a fellow subsidiary in respect of production of tinplates and related products.
- (vii) The represented interest expenses on amount due to a minority shareholder.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions disclosed elsewhere in this interim financial report, the Group also conducts business activities with other state-controlled entities which include but are not limited to the following:

- Sales and purchase of goods and ancillary materials;
- Rendering and receiving services;
- Lease of assets; and
- Purchase of property, plant and equipment.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled or not.

Having considered the potential transactions impacted by related party relationships, the Group's pricing strategy, buying and approval process, and what information would be necessary for an understanding of the potential effects of the transactions on the interim financial report, the Directors are of the opinion that there are no other transactions that require disclosure as related party transactions.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors is as follows:

| | Six months ended 30 June | |
|------------------------------|--------------------------|--------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Short-term employee benefits | 1,623 | 1,365 |
| Post-employment benefits | 420 | 248 |
| | 2,043 | 1,613 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 PLEDGED DEPOSITS

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

22 SUBSEQUENT EVENTS

After the end of the reporting period, the Directors proposed an interim dividend. Further details are disclosed in note 16(a).

23 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

Directors' Interests and Short Positions in Securities

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

INTERESTS AND SHORT POSITIONS IN THE COMPANY

Interests in ordinary shares

| Name of Director | Capacity/nature of interests | Number of ordinary shares held | Long/short position | Approximate percentage of interests held |
|----------------------|------------------------------|--------------------------------|---------------------|--|
| | | | | (Note) |
| Li Kar Keung, Caspar | Personal | 100,000 | Long position | 0.011% |

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, to the knowledge of the Company, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

Substantial Shareholders' Interests

As at 30 June 2023, so far as is known to any Directors and chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had, or were taken or deemed to have interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO:

| Name of shareholder | Capacity | Number of ordinary shares beneficially held | Long/short position | Approximate percentage of interests held |
|--|------------------------------------|---|---------------------|--|
| | | | | (Note 1) |
| 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") ^(Note 2) | Interest of controlled corporation | 537,198,868 | Long position | 59.19% |
| GDH Limited ("GDH") | Beneficial owner | 537,198,868 | Long position | 59.19% |

Notes:

1. The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of the Company in issue as at 30 June 2023.
2. The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any persons (other than Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO.

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 Listing Rules throughout the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

CHANGE IN DIRECTORS' INFORMATION

Commencing on 1 January 2023, the remuneration package of each of Mr. Chen Benguang, Mr. Yang Zhe, and Mr. Chau Wang Kei, which comprised of basic salary, allowances, benefits in kind and pension scheme contributions, but excluding performance related bonus, has been adjusted to approximately HK\$1.69 million, HK\$1.36 million and HK\$1.15 million per annum, respectively.

Dr. Wong Yau Kar, David resigned as an independent non-executive director of Huayi Tencent Entertainment Company Limited (stock code: 419), a listed company in Hong Hong, on 20 June 2023.

Save as disclosed above, there is no other information since the date of the 2022 annual report of the Company and up to the date of this report that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2023. In addition, the Company's external auditor, KPMG, has also reviewed the aforesaid unaudited interim financial report.

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.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

1. Pursuant to a facility letter (the "Facility Letter 1") entered into between the Company and a bank on 21 November 2022 in relation to a 360-day committed term loan facility in the principal amount of HK\$100 million (the "Facility 1") made available by the bank to the Company, the Company had undertaken to the bank that it shall:
 - (i) remain an ultimately, with majority shareholdings, whether directly or indirectly, owned by Guangdong Holdings;
 - (ii) remain with majority shareholdings, whether directly or indirectly, owned by GDH; and
 - (iii) maintain its listing status in the Main Board of the Stock Exchange.

Corporate Governance and Other Information (continued)

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES (continued)

The Company's obligations under the Facility Letter 1 shall become immediately due and payable when the bank makes a demand on the happening of the Company's failure to keep or perform any of the terms of the Facility Letter 1.

The outstanding principal of the Facility 1 as at 30 June 2023 amounted to HK\$100 million.

2. Pursuant to a facility letter (the "Facility Letter 2") entered into between the Company and a bank on 22 March 2023 in relation to a 364-day committed term loan facility in the principal amount of HK\$400 million (the "Facility 2") made available by the bank to the Company, the Company had undertaken to the bank that it shall:

- (i) the Company shall maintain its listing status in the Main Board of the Stock Exchange;
- (ii) the Company shall remain majority-owned (directly and/or indirectly) by GDH; and
- (iii) GDH shall remain ultimately majority-owned (directly and/or indirectly) by Guangdong Holdings.

If the Company fails to perform any of its obligations under the Facility Letter 2, the bank may by notice in writing to the Company declare that:

- (i) the Facility 2 shall immediately be cancelled; and/or
- (ii) the Facility 2, together with accrued interest, and all other amount accrued or outstanding under the Facility Letter 2 be immediately due and payable and the Company shall immediately pay them to the bank.

The outstanding principal of the Facility 2 as at 30 June 2023 amounted to HK\$100 million.

3. Pursuant to a facility letter (the "Facility Letter 3") entered into between the Company and a bank on 21 June 2023 in relation to a 360-day term loan facility in the principal amount of HK\$550 million (the "Facility 3") made available by the bank to the Company, the Company had undertaken to the bank that it shall:

- (i) remain ultimately majority-owned (directly and/or indirectly) by Guangdong Holdings; and
- (ii) remain majority-owned (directly and/or indirectly) by GDH.

If the Company fails to perform any of its obligations under the Facility Letter 3, the bank may by notice in writing to the Company declare that:

- (i) the Facility 3 to be cancelled, whereupon it shall be cancelled;
- (ii) the Facility 3 and all interest and fees and commissions accrued and all other sums payable pursuant to the Facility Letter 3 have become immediately due and payable, whereupon they shall become immediately due and payable and the Company shall immediately pay them to the bank; and/or
- (iii) the Company shall indemnify the bank against any reasonable funding or other cost, direct losses and expenses or liability sustained or incurred by the bank.

The outstanding principal of the Facility 3 as at 30 June 2023 amounted to HK\$270 million.

Corporate Governance and Other Information (continued)

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, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 October 2023.

By order of the Board
Chen Benguang
Chairman

Hong Kong, 31 August 2023



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