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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024.

Unaudited financial highlights for the six months ended 30 June

	2024	2023	
	HK\$'000	HK\$'000	Change
Revenue	<u>5,417,004</u>	<u>4,989,459</u>	8.6%
Profit from operations	<u>130,533</u>	<u>139,252</u>	-6.3%
Profit attributable to shareholders	<u>57,727</u>	<u>59,132</u>	-2.4%
Basic earnings per share	<u>HK 6.4 cents</u>	<u>HK 6.5 cents</u>	-1.5%
Interim dividend per share	<u>HK 1.0 cent</u>	<u>HK 1.0 cent</u>	0.0%

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

RESULTS

For the first half of 2024, the Group's unaudited consolidated revenue was HK\$5,417 million, representing an increase of 8.6% from HK\$4,989 million for the same period last year. The unaudited consolidated profit from operations was HK\$131 million, representing a decrease of 6.3% from HK\$139 million for the same period last year. The unaudited consolidated profit attributable to shareholders was HK\$57.73 million, representing a decrease of 2.4% compared with HK\$59.13 million for the same period last year. The basic earnings per share was HK6.4 cents, a decrease of 1.5% from HK6.5 cents for the same period last year.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend for 2024 of HK1.0 cent per share (2023: 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.

In respect of our operation in Mainland China, benefiting from the layout of the Group's slaughtering business in the Greater Bay Area and in a bid to strengthen, enhance and expand the slaughtering business. The live pig slaughtering volume of the Group exceeded 1.56 million heads in first half of year 2024, increased by 7.1% as compared to same period last year, enabling the Group to rank among one of the top in terms of slaughtering volume in Guangdong Province. In addition, the Group's food wholesale business in the mainland continued to expand during the period.

In respect of our operation in Hong Kong, the swine price has begun to rise since May 2024. The Group increased the sales volume of live pigs so as to offset the negative impact from the declining swine price in the beginning of this year. The overall market share in the live pigs supply into Hong Kong was about 49%. Meanwhile, the Group continued to expand its foodstuff wholesale and retail business in Hong Kong, Brilliant Food Products Limited had 8 retail stores during the period.

As a result of the aforesaid effort, revenue of the fresh and live foodstuffs business amounted to HK\$4,429 million, accounted for 81.8% of the Group's revenue, representing an increase of HK\$597 million or 15.6% as compared to the same period last year. The segment profit (excluding share of losses of associates) of the fresh and live foodstuffs business amounted to HK\$96.91 million, increased by 7.8% period-on-period. Benefiting from an increased swine price, the performance of associates that engaged in pig farming and pig trading improved. Share of losses of the associates of the Group decreased to HK\$18.77 million (30 June 2023: share of losses of

HK\$30.06 million) period-on-period, which offset part of the segment profit of fresh and live foodstuffs business. After deduction of the share of losses of the associates, the segment profit of the fresh and live foodstuffs was HK\$78.15 million, increased by HK\$18.3 million or 30.6%, as compared to the same period last year.

Through continuous expansion strategy of the slaughtering business, and extension of the business chain which includes food processing, cold chain transportation and terminal network, they contributed earnings to the Group.

Tinplating

Currently, the annual production capacity of tinplate products and blackplates of the Group are 490,000 tonnes and 140,000 tonnes, respectively. For the first half of 2024, the still intensified competition of the tinplating industry caused a drop in the sales volume and selling price of tinplate products as compared to the same period last year. As a result of that, the segment of tinplating recorded a decrease in profit. The Group produced 148,000 tonnes of tinplate products during the period, representing an increase of 5.0% as compared to the same period last year, and sold 138,000 tonnes of tinplate products, a decrease of 3.1% as compared to the same period last year.

The revenue of the tinplating business accounted for 18.1% of the Group's revenue. Revenue for the period was HK\$979 million, a decrease of HK\$169 million or 14.7% as compared to the same period last year. The segment profit was HK\$14.98 million, a decrease of HK\$36.66 million or 71.0% as compared to the same period last year.

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

Property Leasing

The Group's properties for lease comprise the plant and dormitories of GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. and the office units in Hong Kong. In the first half of 2024, the property occupancy rate for the property leasing business of the Group was 82.6%, representing a decrease of 8.0% as compared to the same period last year. Amid a drop in revenue by 13.5% to HK\$8.65 million, the segment profit amounted to HK\$3.91 million, decreased by 24.4% as compared to the same period last year. In addition, a valuation loss on investment properties of HK\$2.34 million was recorded for the period (30 June 2023: valuation gain HK\$1.58 million) due to depreciation of property value.

Yellow Dragon

The liquidation of Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") was completed in June 2024 and gains from liquidation of an associate of HK\$30.11 million was recorded.

FINANCIAL POSITION

As at 30 June 2024, the Group's total assets and total liabilities amounted to HK\$4,703 million and HK\$1,913 million, representing a decrease of HK\$86.16 million and HK\$80.21 million respectively when compared with the positions at the end of 2023. The net current assets amounted to HK\$1,243 million and increased by HK\$37.99 million as compared with that at the end of 2023. The current ratio (current assets divided by current liabilities) is 1.9, same as that of at the end of 2023.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2024 was HK\$736 million, representing a decrease of 28.9% when compared with the position at the end of 2023, of which 80.7% was denominated in Renminbi, 3.1% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income was HK\$4.81 million representing a decrease of HK\$2.98 million over the same period.

As at 30 June 2024, 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 5.0% (31 December 2023: net cash position).

As at 30 June 2024, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$3,304 million (31 December 2023: HK\$3,308 million), of which HK\$1,159 million (31 December 2023: HK\$1,165 million) 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 2024 amounted to HK\$23.42 million (30 June 2023: HK\$259 million). The Group's capital commitments outstanding at 30 June 2024 not provided for in the interim financial report amounted to HK\$28.48 million (31 December 2023: HK\$37.14 million), mainly are related to the renovation of production equipment of tinplating segment and the optimization project of fresh and live foodstuffs segment. It is expected that the capital expenditure for 2024 will be approximately HK\$51.90 million.

Acquisitions of Investments

The Group had no material acquisitions and disposals of investments during the first half of 2024.

Pledge of Assets

As at 30 June 2024, deposits at banks of HK\$13.37 million (31 December 2023: HK\$9.58 million) were pledged as securities for bills payable.

As at 30 June 2024, an amount of HK\$285 million (31 December 2023: HK\$761 million) among the banking facilities which were secured by mortgages over land and buildings with an aggregate carrying value of HK\$165 million (31 December 2023: HK\$489 million). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2024, 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 2024, 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 2023: USD0.50 million).

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 2024, the Group had a total of 1,462 full-time employees, a decrease of 58 from 1,520 at the end of 2023. 246 employees were based in Hong Kong and 1,216 employees 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 2024, 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

Looking ahead to the second half of 2024, the domestic and international macro environment faces new challenges and uncertainties. International geopolitical tensions persist, while the domestic economy continues to progress steadily under proactive policy support. However, risks associated with rising costs and market fluctuations due to changes in the external environment remain. The Group will seize opportunities presented by industrial upgrading and the expansion of domestic demand, adapting flexibly to changes in market and policy conditions to achieve sustainable development.

As for the fresh and live foodstuffs business, the Group will drive continuous innovation by focusing on excellence in quality and deepening industry chain integration. We aim to optimize resource allocation and commit to ongoing innovation and high-quality development in the fresh and live foodstuffs business. Leveraging the geographical advantages of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will actively explore regional cooperation, continually extending and expanding the fresh and live foodstuffs segment along the entire industry chain. We remain vigilant about the quality and diversity of food products, with a focus on the sustainable development of the entire food industry chain. At the same time, we will be market-driven, strengthening market segmentation and brand building efforts to create a premium image of a food supplier in the Greater Bay Area. This will enhance our industry positioning and market competitiveness in the food sector.

In respect of the tinplating business, the Group is focused on enhancing product quality, processes and technologies through scientific research and customer-driven product improvements. This commitment ensures we meet the high standards demanded by clients across various industries. By deepening strategic partnerships with our customers, we accurately capture market dynamics and evolving customer needs, enabling agile product and service iterations and optimizations. This approach ensures we continually meet and exceed customer expectations. Moreover, the Group is dedicated to expanding our customer base by conducting in-depth market research and implementing strategic marketing initiatives to uncover and seize new market opportunities. We strive to increase market share, solidify our brand reputation and influence in the packaging sector through innovative marketing strategies and product diversification. Our ongoing efforts to optimize the product portfolio and enhance competitiveness, ensuring we maintain a leading position in the highly competitive market.

Amid the increasing global economic uncertainties, the Group adheres to prudent risk management principles. We ensure robust business growth by strengthening risk management, optimizing core businesses, and flexibly adjusting operational strategies. With a sound financial strategy and ample cash flow, we actively leverage the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, enhancing market competitiveness and profitability, and creating value for our shareholders.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2024, which have been reviewed by the Company's Audit Committee (the "Audit Committee") and independent auditor, Messrs. KPMG.

Consolidated Income Statement

For the six months ended 30 June 2024 - unaudited

(Expressed in Hong Kong dollars)

		<i>Six months ended 30 June</i>	
		<i>2024</i>	<i>2023</i>
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue	3	5,417,004	4,989,459
Cost of sales		<u>(5,176,033)</u>	<u>(4,699,835)</u>
Gross profit		240,971	289,624
Other revenue	4	23,929	25,114
Other net gains/(losses)	5	34,015	(412)
Selling and distribution costs		(18,308)	(19,451)
Administrative expenses		(108,476)	(111,110)
Other operating expenses		<u>(41,598)</u>	<u>(44,513)</u>
Profit from operations		130,533	139,252
Valuation (losses)/gains on investment properties	10(b)	(2,336)	1,582
Finance costs	6(a)	(15,368)	(9,984)
Share of profit of a joint venture		18	-
Share of losses of associates		<u>(18,077)</u>	<u>(32,472)</u>
Profit before taxation	6	94,770	98,378
Income tax	7	<u>(23,901)</u>	<u>(26,642)</u>
Profit for the period		<u>70,869</u>	<u>71,736</u>
Attributable to:			
Equity shareholders of the Company		57,727	59,132
Non-controlling interests		<u>13,142</u>	<u>12,604</u>
Profit for the period		<u>70,869</u>	<u>71,736</u>
Interim dividend	8(a)	<u>9,076</u>	<u>9,076</u>
Earnings per share			
Basic	9(a)	<u>6.4 cents</u>	<u>6.5 cents</u>
Diluted	9(b)	<u>6.4 cents</u>	<u>6.5 cents</u>

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2024 - unaudited
(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit for the period	70,869	71,736
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	(16,214)	(78,577)
– associates outside Hong Kong	(1,194)	(8,508)
– a joint venture outside Hong Kong	(79)	-
– tax expenses related to a subsidiary outside Hong Kong	(149)	(655)
Net-of-tax amount	(17,636)	(87,740)
Total comprehensive income for the period	53,233	(16,004)
Attributable to:		
Equity shareholders of the Company	41,384	(24,237)
Non-controlling interests	11,849	8,233
Total comprehensive income for the period	53,233	(16,004)

Consolidated Statement of Financial Position

At 30 June 2024

(Expressed in Hong Kong dollars)

	At 30 June 2024 Unaudited \$'000	At 31 December 2023 Audited \$'000
Non-current assets		
Property, plant and equipment	10 1,719,790	1,730,678
Investment properties	10 201,239	238,160
	1,921,029	1,968,838
Goodwill	85,465	85,904
Interests in associates	109,884	153,609
Interest in a joint venture	10,925	10,986
	2,127,303	2,219,337
Current assets		
Inventories	11 556,439	486,328
Trade and other receivables, deposits and prepayments	12 1,269,554	1,037,833
Pledged deposits	13,369	9,575
Cash and cash equivalents	13 736,175	1,035,928
	2,575,537	2,569,664
Current liabilities		
Trade and other payables	14 913,578	943,661
Bank loans	15 288,078	375,383
Loan from a fellow subsidiary	106,928	20,177
Lease liabilities	9,263	8,662
Current tax payable	14,845	16,926
	1,332,692	1,364,809
Net current assets	1,242,845	1,204,855
Total assets less current liabilities	3,370,148	3,424,192
Non-current liabilities		
Bank loans	15 157,528	358,225
Loan from a fellow subsidiary	323,896	169,363
Deferred revenue	6,867	7,606
Financial liability at amortised cost	14,299	14,299
Lease liabilities	8,299	7,838
Deferred tax liabilities	69,563	71,216
	580,452	628,547
Net assets	2,789,696	2,795,645
Capital and reserves		
Share capital	459,651	459,651
Reserves	2,092,454	2,110,363
Total equity attributable to equity shareholders of the Company	2,552,105	2,570,014
Non-controlling interests	237,591	225,631
Total equity	2,789,696	2,795,645

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 2024 but are extracted from the interim financial report.

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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants
- Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

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

3. Revenue and segment reporting

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

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

3. Revenue and segment reporting (continued)

(a) Disaggregation of revenue

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

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Fresh and live foodstuffs	4,357,394	3,753,369
- Tinplate products	979,256	1,147,796
	5,336,650	4,901,165
Commission income from the distribution of fresh and live foodstuffs	26,562	35,013
Slaughtering services income	45,143	43,284
Revenue from other sources		
Rental income from property leasing	8,649	9,997
	5,417,004	4,989,459
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	441,929	352,374
Mainland China	4,866,716	4,337,924
Asian countries (excluding Mainland China and Hong Kong)	61,424	167,533
Other countries	46,935	131,628
	4,975,075	4,637,085
	5,417,004	4,989,459

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 2024 of \$495,000 (30 June 2023: \$950,000) and \$8,154,000 (30 June 2023: \$9,047,000) respectively.

3. Revenue and segment reporting (continued)

(b) Segment results, assets and liabilities

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

	<i>Fresh and live foodstuffs</i>		<i>Tinplating</i>		<i>Property leasing</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>For the six months ended 30 June</i>								
Reportable segment revenue	<u>4,429,099</u>	<u>3,831,666</u>	<u>979,256</u>	<u>1,147,796</u>	<u>8,649</u>	<u>9,997</u>	<u>5,417,004</u>	<u>4,989,459</u>
Reportable segment profit	<u>78,147</u>	<u>59,845</u>	<u>14,979</u>	<u>51,639</u>	<u>3,912</u>	<u>5,178</u>	<u>97,038</u>	<u>116,662</u>
-including share of losses of associates	<u>(18,765)</u>	<u>(30,057)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,765)</u>	<u>(30,057)</u>
<i>As at 30 June/ 31 December</i>								
Reportable segment assets	<u>2,170,390</u>	<u>2,148,107</u>	<u>1,889,412</u>	<u>1,868,744</u>	<u>202,385</u>	<u>263,690</u>	<u>4,262,187</u>	<u>4,280,541</u>
-including interest in associates	<u>109,884</u>	<u>129,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,884</u>	<u>129,860</u>
Reportable segment liabilities	<u>991,658</u>	<u>1,135,399</u>	<u>700,460</u>	<u>639,096</u>	<u>38,925</u>	<u>39,673</u>	<u>1,731,043</u>	<u>1,814,168</u>

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

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit		
Reportable segment profit derived from the Group's external customers and associates	97,038	116,662
Unallocated income and expenses	(15,380)	(7,467)
Valuation (losses)/gains on investment properties	(2,336)	1,582
Finance costs	(15,368)	(9,984)
Share of profit of a joint venture not attributable to any segment	18	-
Share of profit/(loss) of an associate not attributable to any segment	688	(2,415)
Gains from liquidation of an associate not attributable to any segment	30,110	-
Consolidated profit before taxation	94,770	98,378

3. Revenue and segment reporting (continued)

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

	<i>At</i> 30 June 2024 \$'000	<i>At</i> 31 December 2023 \$'000
Assets		
Reportable segment assets	4,262,187	4,280,541
Interest in a joint venture not attributable to any segment	10,925	10,986
Interest in an associate not attributable to any segment	-	23,749
Unallocated assets	429,728	473,725
Consolidated total assets	<u>4,702,840</u>	<u>4,789,001</u>
Liabilities		
Reportable segment liabilities	1,731,043	1,814,168
Unallocated liabilities	182,101	179,188
Consolidated total liabilities	<u>1,913,144</u>	<u>1,993,356</u>

4. Other revenue

	<i>Six months ended 30 June</i>	
	2024	2023
	\$'000	\$'000
Interest income on financial assets measured at amortised cost	4,808	7,789
Subsidies received	14,513	10,916
Others	4,608	6,409
	<u>23,929</u>	<u>25,114</u>

5. Other net gains/(losses)

	<i>Six months ended 30 June</i>	
	2024	2023
	\$'000	\$'000
Net realised and unrealised exchange gain	7,261	1,184
Net gains/(losses) on forward foreign exchange contracts	67	(405)
Net losses on disposal of property, plant and equipment	(110)	(9)
Gains from liquidation of an associate	30,110	-
Others	(3,313)	(1,182)
	<u>34,015</u>	<u>(412)</u>

6. Profit before taxation

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

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>(a) Finance costs</i>		
Interest on bank loans	11,642	18,441
Interest on loan from a fellow subsidiary	4,712	883
Interest on lease liabilities	255	231
	16,609	19,555
Less: interest expense capitalised into construction-in-progress*	(1,241)	(9,571)
	15,368	9,984
<i>(b) Staff costs</i>		
Net contributions to defined contribution retirement plans	13,339	12,494
Salaries, wages and other benefits	153,980	152,080
	167,319	164,574
<i>(c) Other items</i>		
Depreciation charge		
- Owned property, plant and equipment	52,652	46,145
- Right-of-use assets	5,087	7,159
Research and development costs	41,598	44,513
Rentals receivable from investment properties less direct outgoings of \$802,000 (30 June 2023: \$833,000)	(7,847)	(9,164)

* The borrowing costs have been capitalised at a rate of 2.80% - 5.69% during the period (30 June 2023: 3.26% - 5.97%).

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
Current tax – Hong Kong		
Provision for the period	3,785	2,661
Current tax – the People’s Republic of China (the “PRC”)		
Provision for the period	21,794	23,589
(Over)/under-provision in respect of prior year	(595)	732
Deferred tax		
Origination and reversal of temporary differences	(1,083)	(340)
	<u>23,901</u>	<u>26,642</u>
	(i)	

Notes:

- (i) The provision for Hong Kong Profits Tax for the six months ended 30 June 2024 is calculated at 16.5% (30 June 2023: 16.5%) of the estimated assessable profits for the period.
- Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective rate of 25% that is expected to be applicable in the PRC, except for two subsidiaries that is entitled to tax incentive as a new and high technology enterprise, enjoys 15% annual effective tax rate.
- (ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at 5%.

8. Dividends

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

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2023: 1.0 cent) per ordinary share	<u>9,076</u>	<u>9,076</u>

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

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

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of 2.0 cents (30 June 2023:2.0 cents) per ordinary share	<u>18,152</u>	<u>18,152</u>

9. Earnings per share

- (a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on the profit attributable to ordinary equity shareholders of the Company of \$57,727,000 (30 June 2023: \$59,132,000) and 907,593,000 (30 June 2023: 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 2024 and 2023.

10. Property, plant and equipment, and investment properties

(a) *Acquisitions and transfers of owned assets*

During the six months ended 30 June 2024, the Group had acquired additions to property, plant and equipment with a cost of \$23,420,000 (30 June 2023: \$259,432,000). Also, the Group transferred from investment properties to property, plant equipment amounted to \$33,400,000 (30 June 2023: \$28,800,000) at fair value upon change in use.

(b) *Investment properties*

The valuations of investment properties carried at fair value were revalued at 30 June 2024 by independent firms of surveyors, Jones Lang LaSalle Limited (31 December 2023: RHL Appraisal Limited), using the same valuation techniques as were used by the valuer when carrying out the December 2023 valuations. As a result of the revaluation, valuation losses of \$2,336,000 (30 June 2023: valuation gains of \$1,582,000) have been recognised in profit or loss for the period.

11. Inventories

	<i>At</i> 30 June 2024 \$'000	<i>At</i> 31 December 2023 \$'000
Raw materials, spare parts and consumables	236,347	213,166
Work in progress	48,749	46,641
Finished goods	271,343	226,521
	556,439	486,328

12. Trade and other receivables, deposits and prepayments

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, net of loss allowance, is as follows:

	<i>At</i> 30 June 2024 \$'000	<i>At</i> 31 December 2023 \$'000
Within 1 month	755,654	685,083
1 to 3 months	10,125	1,655
Over 3 months	7,801	4,375
	<u>773,580</u>	<u>691,113</u>

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

13. Cash and cash equivalents

	<i>At</i> 30 June 2024 \$'000	<i>At</i> 31 December 2023 \$'000
Deposits with banks	124,120	170,490
Cash at bank and on hand	612,055	865,438
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	<u>736,175</u>	<u>1,035,928</u>

14. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable is as follows:

	<i>At</i> 30 June 2024 \$'000	<i>At</i> 31 December 2023 \$'000
Due within 1 month or on demand	460,371	477,833
Due after 1 month but within 3 months	-	23,703
	<u>460,371</u>	<u>501,536</u>

15. Bank loans

As at 30 June 2024, the Group's available banking facilities amounted to \$3,303,849,000 (31 December 2023: \$3,308,374,000), of which \$1,158,573,000 (31 December 2023: \$1,164,667,000) was utilised. Certain portion of the utilised banking facilities were secured by deposits. The banking facilities include \$284,882,000 (31 December 2023: \$761,415,000) which were secured by mortgages over land and buildings with an aggregate carrying value of \$164,507,000 (31 December 2023: \$488,717,000). Part of the unsecured bank loans amounted to \$80,000,000 (31 December 2023: \$270,000,000) were provided in the facility agreements 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 agreements, 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 2024, none of the covenants 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 C1 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 2024.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2024, 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 2024 of HK1.0 cent per share (2023: HK1.0 cent per share). The interim dividend will be paid on Friday, 25 October 2024 to the shareholders whose names appear on the register of members of the Company on Tuesday, 8 October 2024.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 7 October 2024 and Tuesday, 8 October 2024. 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 Friday, 4 October 2024.

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 2024. The interim financial report is unaudited, but has been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

Publication of Interim Results Announcement and Interim Report

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

By order of the Board
Chen Benguang
Chairman

Hong Kong, 30 August 2024

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.