



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)

Interim Report

中期報告

2022



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Corporate Information

(As at 30 August 2022)

BOARD OF DIRECTORS

Executive Directors

CHEN Benguang (*Chairman*)
YANG Zhe (*General Manager*) (*Appointed on 1 July 2022*)
HE Jinzhou (*General Manager*) (*Resigned on 1 July 2022*)
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

CHAU Wang Kei

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the 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

REGISTERED OFFICE

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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

<i>Place of Listing</i>	Main Board of The Stock Exchange of Hong Kong Limited
<i>Stock Code</i>	01203
<i>Board Lot</i>	2,000 shares
<i>Financial Year End</i>	31 December

SHAREHOLDERS' CALENDAR

<i>Last Share Registration Date</i>	5 October 2022
<i>Closure of Register of Members</i>	6 October 2022 and 7 October 2022
<i>Interim Dividend Payment Date</i>	HK1.0 cent per share 25 October 2022

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022 \$'000	2021 \$'000	
Revenue	3,379,641	1,894,942	78.4%
Profit from operations	129,249	65,940	96.0%
Profit attributable to shareholders	62,051	47,146	31.6%
Basic earnings per share	6.8 cents	5.2 cents	30.8%
Interim dividend per share	1.0 cent	1.0 cent	0.0%
	At 30 June 2022 \$'000	At 31 December 2021 \$'000	Change
Total assets	4,245,357	4,250,775	-0.1%
Shareholders' equity	2,648,134	2,679,224	-1.2%
Net asset value per share ¹	\$2.92	\$2.95	-1.0%
Closing market price per share	\$0.67	\$0.67	
Net cash ²	397,249	625,773	
Gearing ratio ³	N/A	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 2022, the Group's unaudited consolidated profit attributable to shareholders was HK\$62,051,000, representing an increase of 31.6% compared with HK\$47,146,000 for the same period last year. The basic earnings per share was HK6.8 cents, an increase of 30.8% from HK5.2 cents for the same period last year.

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

Fresh and Live Foodstuffs

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

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

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

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Fresh and Live Foodstuffs (Continued)

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

Tinplating

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

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

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

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Property Leasing

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

Yellow Dragon

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

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

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

FINANCIAL POSITION

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

Liquidity and Financial Resources

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

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

Management Discussion and Analysis (Continued)

FINANCIAL POSITION (Continued)

Liquidity and Financial Resources (Continued)

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

Capital Expenditure and Capital Commitments

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

Acquisitions of Investments

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

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

Pledge of Assets

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

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

Contingent Liabilities

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

Management Discussion and Analysis (Continued)

FINANCIAL POSITION (Continued)

Exchange Rate and Interest Rate Exposures

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

Management Discussion and Analysis (Continued)

PROSPECTS

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

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

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

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

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

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 11 to 36 which comprises the consolidated statement of financial position of GDH Guangnan (Holdings) Limited as of 30 June 2022 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 2022 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

30 August 2022

Consolidated Income Statement

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 18 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 18 to 36 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2022
(Expressed in Hong Kong dollars)

	Note	At 30 June 2022 Unaudited \$'000	At 31 December 2021 Audited \$'000
Non-current assets			
Property, plant and equipment	8	1,247,921	1,233,481
Investment properties	8	283,384	286,875
		1,531,305	1,520,356
Goodwill	12	1,415	1,415
Interest in associates		296,764	353,908
		1,829,484	1,875,679
Current assets			
Inventories	9	575,813	478,919
Trade and other receivables, deposits and prepayments	10	1,073,311	912,580
Pledged deposits	22	10,199	14,387
Cash and cash equivalents	11	756,550	969,210
		2,415,873	2,375,096
Current liabilities			
Trade and other payables	15	1,037,906	916,938
Bank loans	14	256,653	200,000
Loan from a fellow subsidiary	16	–	85,617
Lease liabilities		4,076	4,127
Current tax payable		15,080	5,645
		1,313,715	1,212,327
Net current assets		1,102,158	1,162,769
Total assets less current liabilities		2,931,642	3,038,448

Consolidated Statement of Financial Position (Continued)

at 30 June 2022
(Expressed in Hong Kong dollars)

	Note	At 30 June 2022 Unaudited \$'000	At 31 December 2021 Audited \$'000
Non-current liabilities			
Bank loans	14	112,847	72,207
Deferred revenue		10,254	11,491
Lease liabilities		8,949	11,018
Deferred tax liabilities		34,415	35,403
		166,465	130,119
NET ASSETS			
		2,765,177	2,908,329
CAPITAL AND RESERVES			
Share capital		459,651	459,651
Reserves		2,188,483	2,219,573
Total equity attributable to equity shareholders of the Company			
		2,648,134	2,679,224
Non-controlling interests			
		117,043	229,105
TOTAL EQUITY			
		2,765,177	2,908,329

The notes on pages 18 to 36 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
Note	Share capital	Exchange reserve	Revaluation reserve	Special capital reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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)	(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	13	-	-	-	29,789	-	29,789	(129,834)	(100,045)
	Increment in share capital	-	-	-	-	-	-	-	20,750	20,750
	Dividends approved in respect of the previous year	17(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

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
	Note	Share capital	Exchange reserve	Revaluation reserve	Special capital reserve	Other reserves	Retained profits			Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Balance at 1 January 2021		459,651	236,989	2,121	107,440	70,464	1,701,332	2,577,997	206,411	2,784,408
Changes in equity for the six months ended 30 June 2021:										
Profit for the period		-	-	-	-	-	47,146	47,146	6,856	54,002
Other comprehensive income		-	16,392	-	-	-	-	16,392	1,948	18,340
Total comprehensive income		-	16,392	-	-	-	47,146	63,538	8,804	72,342
Dividends approved in respect of the previous year	17(b)	-	-	-	-	-	(13,614)	(13,614)	-	(13,614)
Balance at 30 June 2021		459,651	253,381	2,121	107,440	70,464	1,734,864	2,627,921	215,215	2,843,136
Balance at 1 July 2021		459,651	253,381	2,121	107,440	70,464	1,734,864	2,627,921	215,215	2,843,136
Changes in equity for the six months ended 31 December 2021:										
Profit for the period		-	-	-	-	-	6,916	6,916	10,611	17,527
Other comprehensive income		-	40,468	12,995	-	-	-	53,463	3,279	56,742
Total comprehensive income		-	40,468	12,995	-	-	6,916	60,379	13,890	74,269
Dividends approved in respect of the current year	17(a)	-	-	-	-	-	(9,076)	(9,076)	-	(9,076)
Balance at 31 December 2021		459,651	293,849	15,116	107,440	70,464	1,732,704	2,679,224	229,105	2,908,329

The notes on pages 18 to 36 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
Operating activities			
Cash used in operations		(104,721)	(53,510)
Tax paid, net		(10,020)	(246)
Net cash used in operating activities		(114,741)	(53,756)
Investing activities			
Payment for the purchase of property, plant and equipment		(97,078)	(123,865)
Proceed from disposal of property, plant and equipment		910	–
Other cash flows arising from investing activities		–	43
Net cash used in from investing activities		(96,168)	(123,822)
Financing activities			
Proceeds from loan from a fellow subsidiary		–	23,968
Repayment of loan from a fellow subsidiary		(84,469)	–
Proceeds from a bank loan	14	100,470	150,000
Dividend paid to minority shareholders		(5,104)	–
Capital injection by non-controlling interest shareholders to a subsidiary		20,750	–
Other cash flows arising from financing activities		(6,768)	(4,731)
Net cash generated from financing activities		24,879	169,237
Net decrease in cash and cash equivalents		(186,030)	(8,341)
Cash and cash equivalents at 1 January	11	969,210	895,109
Effect of foreign exchange rates changes		(26,630)	6,402
Cash and cash equivalents at 30 June	11	756,550	893,170

The notes on pages 18 to 36 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

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2022.

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

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

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 2021 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 10.

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

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

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

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

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.

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

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

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

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

4 OTHER REVENUE AND NET GAINS

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Other revenue		
Interest income on financial assets measured at amortised cost	5,190	4,501
Subsidies received	2,590	491
Others	4,302	2,666
	12,082	7,658
Other net gains		
Net realised and unrealised exchange gain	5,245	1,413
Net (losses)/gains on forward foreign exchange contracts	(65)	291
Net gains/(losses) on disposal of property, plant and equipment	156	(179)
	5,336	1,525

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

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

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

Note:

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

(b) Investment properties

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

9 INVENTORIES

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

Based on management's assessment of the net realisable value of inventories, there was a write-down of inventories to estimated net realisable value by approximately \$905,000 during the period (30 June 2021: \$1,044,000).

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 2022 \$'000	At 31 December 2021 \$'000
Trade debtors	635,059	347,856
Bills receivable	170,236	255,560
Other receivables, deposits and prepayments	262,284	293,445
Amounts due from a related company (note (i))	–	9,514
Amounts due from associates (note (ii))	5,732	5,996
Derivative financial instruments (note 18)	–	209
Trade and other receivables, deposits and prepayments (note (iii))	1,073,311	912,580

Notes:

- (i) The amounts represent trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) As at 30 June 2022 and 31 December 2021, 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 2022 and at 31 December 2021, 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 a related company (which are included in trade and other receivables, deposits and prepayments), net of loss allowance, is as follows:

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

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)

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

11 CASH AND CASH EQUIVALENTS

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

12 GOODWILL

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Carrying amount	1,415	1,415

The goodwill arose from the acquisition of GDH Food Foshan through capital injection arrangement in 2020.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 ACQUISITION OF NON-CONTROLLING INTERESTS

On 6 June 2022, Guangnan Investment, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the non-controlling shareholders of GDH Zhongyue Qinhuangdao, being POSCO and POSCO-China to acquire 34% of the equity interest in GDH Zhongyue Qinhuangdao, for a total consideration of RMB85,000,000 (equivalent to approximately \$100,045,000). Subsequent to the acquisition, GDH Zhongyue Qinhuangdao became a wholly-owned subsidiary of the Group.

14 BANK LOANS

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 1 year or on demand	256,653	200,000
After 1 year but within 2 years	2,821	1,805
After 2 years but within 5 years	28,212	18,052
After 5 years	81,814	52,350
	112,847	72,207
	369,500	272,207

As at 30 June 2022, the Group's available banking facilities amounted to \$2,756,405,000 (31 December 2021: \$2,018,038,000), of which \$945,132,000 (31 December 2021: \$823,368,000) was utilised. Certain portion of the utilised banking facilities were secured by deposits (see note 22). The remaining unutilised banking facilities include \$410,677,000 (31 December 2021: \$539,042,000) which were secured by mortgages over land and buildings with an aggregate carrying value of \$421,401,000 (31 December 2021: \$419,601,000).

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Trade creditors	194,943	152,323
Bills payable	331,712	382,928
Other payables and accrued charges (note (iv))	422,261	265,924
Contract liabilities	79,428	54,295
Amount due to a related company (note (i))	–	59,928
Amount due to an associate (note (ii))	1,204	54
Amounts due to fellow subsidiaries (note (iii))	300	1,486
Amount due to the immediate holding company (note (v))	8,058	–
	1,037,906	916,938

Notes:

- (i) The amount represents trade balance due to a company related to the former minority shareholder of a non-wholly owned subsidiary.
- (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.
- (iv) Included in the amount is \$100,045,000 payable to a former non-controlling interest shareholder relating to the acquisition of its interests (see note 13). The amount is payable within one year.
- (v) The amount represents dividend payable to immediate holding company.
- (vi) As at 30 June 2022, all of the Group's trade and other payables are expected to be settled or recognised as income within one year. As at 31 December 2021, except for an amount of \$225,000, which is expected to be settled or recognised as income after more than one year, all of the Group's other trade and other payables are expected to be settled or recognised as income within one year.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 TRADE AND OTHER PAYABLES (Continued)

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

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

16 LOAN FROM A FELLOW SUBSIDIARY

As at 31 December 2021, the loan from a fellow subsidiary was unsecured, interest-bearing at 4.2% per annum and repayable within one year. The amount was fully repaid during the period.

17 DIVIDENDS

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

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2021: 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	
	2022 \$'000	2021 \$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 1.5 cents (30 June 2021: 1.5 cents) per ordinary share	13,614	13,614

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 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 2022 categorised into		
	2022	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements:				
Asset:				
Forward foreign exchange contracts (note 10)	-	-	-	-

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy (Continued)

	Fair value at 31 December 2021 \$'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000

Recurring fair value measurements:

Asset:

Forward foreign exchange contracts (note 10)	209	–	209	–
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During the six months ended 30 June 2022 and 2021, 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 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant yield curve as at the end of the reporting period plus an adequate constant credit spread.

(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 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 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 2022 was \$11,176,000 (30 June 2021: \$9,025,000) (note 5(b)).

20 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report were as follows:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Contracted for	30,551	123,935
Authorised but not contracted for	13,876	143,896
	44,427	267,831

The Group's capital commitments at 30 June 2022 amounted to \$44,427,000 (31 December 2021: \$267,831,000), mainly for reconstruction of south area of the slaughterhouse of GDH Food Foshan as well as the renovation of production facilities of GDH Zhongyue and GDH Zhongyue Qinhuangdao.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 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	
		2022 \$'000	2021 \$'000
Sales of goods to related companies	(i)	166,923	165,181
Commission paid/payable to a related company	(i), (ii)	644	675
Commission received/receivable from associates	(iii)	11,894	13,983
Interest expense paid/payable to a fellow subsidiary	(iv)	1,550	1,243
Purchases of goods from associates	(v)	5,976	6,720
Purchases of goods from related companies including transport services fee paid/payable	(i)	113,771	207,072
Purchases of electricity from a fellow subsidiary	(vi)	22,332	17,606

Notes:

- (i) Related companies refer to former minority shareholder of a non-wholly owned subsidiary of the Group, POSCO 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 tinplate and related products.
- (vii) Balances with related parties at 30 June/31 December and their settlement terms are disclosed elsewhere in the interim financial report.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 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 Company’s directors is as follows:

	Six months ended 30 June	
	2022	2021
	\$’000	\$’000
Short-term employee benefits	1,365	1,668
Post-employment benefits	248	509
	1,613	2,177

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 PLEDGED DEPOSITS

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

23 SUBSEQUENT EVENTS

- (a) After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 17(a).
- (b) On 9 August 2022, the Group has resolved to voluntarily liquidate an associate of the Group, Yellow Dragon. As of the reporting date of this interim financial report, the liquidation process has not yet commenced.

24 COMPARATIVE FIGURES

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

Directors' Interests and Short Positions in Securities

As at 30 June 2022, 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 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 2022.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022.
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 2022, 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 2022, except for the following deviation:

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

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 2022.

CHANGE IN DIRECTOR'S INFORMATION

There is no change in information on the Directors since the date of the 2021 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 has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2022. 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 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Corporate Governance and Other Information (Continued)

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Pursuant to a facility letter (the "Facility Letter") entered into between the Company and a bank on 20 May 2022 in relation to a 360-day committed term loan facility in the principal amount of HK\$200 million (the "Facility") 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 Limited; and
- (ii) remain majority-owned (directly and/or indirectly) by GDH Limited.

If an event of default under the Facility Letter occurs, the bank may by notice to the Company declare that:

- (i) the Facility to be cancelled whereupon it shall be cancelled;
- (ii) the Facility and all interest and fees and commissions accrued and all other sums payable pursuant to the Facility Letter 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
- (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 as at 30 June 2022 amounted to HK\$200 million.

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

By Order of the Board
Chen Benguang
Chairman

Hong Kong, 30 August 2022



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