



粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Stock code 股份代號: 01203)

Interim Report
中期報告

2021



粵海食品(佛山)有限公司



肉品加工項目-生產車間透視圖



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Corporate Information

(As at 27 August 2021)

BOARD OF DIRECTORS

Executive Directors

CHEN Benguang (*Chairman*)

HE Jinzhou (*General Manager*)

CHAU Wang Kei (*Chief Financial Officer*)

Non-Executive Director

WANG Longhai

Independent Non-Executive Directors

Gerard Joseph McMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

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

LAW Yu Ting

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 China (Hong Kong) Limited

Bank of China Limited

Industrial and Commercial Bank of China (Asia) Limited

Industrial and Commercial Bank of China Limited

Bank of Communications Co., Ltd.

Nanyang Commercial Bank, Limited

China Citic Bank Corporation Limited

Agricultural Bank of China Limited

REGISTERED OFFICE

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SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

SHARE INFORMATION

Place of Listing

Main Board of
The Stock Exchange of
Hong Kong Limited

Stock Code

01203

Board Lot

2,000 shares

Financial Year End

31 December

SHAREHOLDERS' CALENDAR

*Last Share Registration
Date*

5 October 2021

*Closure of Register
of Members*

6 October 2021 and
7 October 2021

Interim Dividend

HK1.0 cent per share

Payment Date

25 October 2021

Financial Highlights

(Expressed in Hong Kong dollars)

UNAUDITED FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2021 \$'000	2020 \$'000	Change
Revenue	1,894,942	1,130,089	67.7%
Profit from operations	65,940	39,638	66.4%
Profit attributable to shareholders	47,146	46,610	1.1%
Basic earnings per share	5.2 cents	5.1 cents	2.0%
Interim dividend per share	1.0 cent	1.0 cent	0.0%

	At 30 June 2021 \$'000	At 31 December 2020 \$'000	Change
Total assets	3,930,851	3,315,440	18.6%
Shareholders' equity	2,627,921	2,577,997	1.9%
Net asset value per share ¹	\$2.90	\$2.84	2.1%
Closing market price per share	\$0.70	\$0.66	
Net cash ²	689,375	859,822	
Gearing ratio ³	N/A	N/A	

Notes:

1.
$$\frac{\text{Shareholders' equity}}{\text{Number of ordinary shares in issue}}$$
2. Pledged deposits, cash and cash equivalents – borrowings
3.
$$\frac{\text{Borrowings – pledged deposits, cash and cash equivalents}}{\text{Shareholders' equity}}$$

Management Discussion and Analysis

RESULTS

For the first half of 2021, the Group's unaudited consolidated profit attributable to shareholders was HK\$47,146,000, representing an increase of 1.1% compared with HK\$46,610,000 for the same period last year. The basic earnings per share was HK\$5.2 cents, an increase of 2.0% from HK\$5.1 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 2021 of HK1.0 cent per share (2020: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2021, the Group's consolidated revenue was HK\$1,894,942,000, representing an increase of HK\$764,853,000 or 67.7% from HK\$1,130,089,000 for the same period last year. Profit from operations was HK\$65,940,000, representing an increase of HK\$26,302,000 or 66.4% from HK\$39,638,000 for the same period last year.

As regards the fresh and live foodstuffs business, due to the rapid recovery of the live pigs production in Mainland China, the price of live pigs is at a downward trend. Notwithstanding the decrease in the price of live pigs in the first half of 2021 as compared to the same period last year, the number of live pigs sold increased, leading to an increase in profit of live pigs' distribution and self-operated business. The new slaughter business and the chilled meat wholesale and retail business in Mainland became new profit growth points. As the supply and demand of live pigs increased significantly, the slaughter of live pigs in the first half of the year exceeded 190,000 heads, together with the new chilled beef wholesale, contributing the increased profit. Nevertheless, a decrease in profits was recorded by the two associates which are engaged in pig farming and sales of pigs as result of the decrease in prices of live pigs. The revenue was HK\$522,184,000, an increase of HK\$350,680,000 or 204.5% as compared to the same period last year. The segment profit was HK\$51,119,000, a decrease of HK\$6,054,000 or 10.6% as compared to the same period last year. The Group's overall market share in the live pigs supply into Hong Kong was about 47% in the first half of 2021.

In respect of our tinplating business, the industry competition is intense. As the COVID-19 pandemic continues to ease in Mainland China and the economy is gradually recovering, the demand for tinplate is gradually increasing. Coupled with rising prices of bulk raw materials, the sales volume and selling prices of tinplate products increased as compared to the same period last year due to inflationary pressures. The profit also increased accordingly. Sales volume of tinplate products in the first half of 2021 increased by 12,261 tonnes, representing an increase of 8.7% as compared to the same period last year. Selling price of tinplate products increased during the period. The revenue was HK\$1,361,997,000, an increase of HK\$413,571,000 or 43.6% as compared to the same period last year. The segment profit was HK\$29,134,000, an increase of HK\$17,011,000 or 140.3% as compared to the same period last year.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

In respect of the property leasing business, the rental income for the first half of 2021 increased by HK\$602,000 as compared to the same period last year, and the segment profit decreased by HK\$823,000 as compared to the same period last year. The value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$2,900,000 were recorded for the period (30 June 2020: HK\$9,341,000).

For the associates, Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") recorded an increase in loss as compared to the same period last year, mainly due to the increased cost of the raw material – corn and the provision of inventories made in the first half year of 2021. Yellow Dragon recorded a loss of HK\$36,918,000 for the period. In addition, the price of pigs decreased significantly in the first half of 2021 as compared to the same period last year. The profit for the two associates which are engaged in pig farming and sales of pigs decreased as compared to the same period last year. The Group's share of profits from these two associates for the period was a total of HK\$13,496,000.

Fresh and Live Foodstuffs

GDH Guangnan Hong Company Limited ("GDH Guangnan Hong") is a wholly-owned subsidiary of the Company. GDH Guangnan Hong holds 100% interest in GDH Guangnan Hong (Guangdong) Company Limited ("GDH Food"), 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").

The fresh and live foodstuffs business accounted for 27.6% of the Group's revenue. In the first half of 2021, the revenue of the fresh and live foodstuffs business amounted to HK\$522,184,000, representing an increase of HK\$350,680,000 or 204.5% as compared to the same period last year. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$13,496,000 (30 June 2020: HK\$31,391,000), the segment profit was HK\$51,119,000, representing a decrease of HK\$6,054,000 or 10.6% as compared to the same period last year. Notwithstanding the decrease in the price of live pigs in the first half of 2021 as compared to the same period last year, the number of live pigs sold increased, leading to an increase in profit of live pigs' distribution and self-operated business. The new slaughter business and the chilled meat wholesale and retail business in Mainland became new profit growth points. As the supply and demand of live pigs increased significantly, the number of slaughtered live pigs in the first half of the year exceeded 190,000 heads, together with the new chilled beef wholesale, contributing the increased profit. Nevertheless, a decrease in profits was recorded by the two associates which are engaged in pig farming and sales of pigs as result of the decrease in prices of live pigs.

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 and retail business in Mainland, both of them provided a certain contribution to the earnings of the Group.

In addition, GDH Food Foshan has commenced construction of a meat processing plant in Nanhai District, Foshan City this year and is expected to be put into operation in early 2022. After the commissioning, it will be a high-standard slaughterhouse integrating pig, cattle and sheep slaughtering in Nanhai District. The project capacity is designed to slaughter 6,000 pigs per day and about 2.18 million pigs per year, 200 cattle per day and about 73,000 cattle per year, and 1,000 sheep per day and about 90,000 sheep per year.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. ("GDH Zhongyue") is the wholly-owned subsidiary of the Company. The Company holds 66% interest in the subsidiary, GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("GDH Zhongyue Posco"), while the remaining 34% is held by POSCO Co., Ltd., an internationally renowned iron and steel enterprise. 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 Posco's capacity.

The revenue of the tinplating business accounted for 71.9% of the Group's revenue. In the first half of 2021, with the increased domestic demand in Mainland China, the Group produced 159,640 tonnes of tinplate products, representing an increase of 15.2% as compared to the same period last year. Among which, GDH Zhongyue and GDH Zhongyue Posco produced 106,267 tonnes and 53,373 tonnes respectively, an increase of 9.6% and 28.2% respectively as compared to the same period last year. In addition, the Group sold 153,143 tonnes of tinplate products, an increase of 8.7% as compared to the same period last year, of which, GDH Zhongyue and GDH Zhongyue Posco sold 102,053 tonnes and 51,090 tonnes respectively, an increase of 3.8% and 20.0% respectively as compared to the same period last year. Selling price of tinplate products increased year on year during the period. The revenue for the period was HK\$1,361,997,000, an increase of HK\$413,571,000 or 43.6% as compared to the same period last year. The segment profit was HK\$29,134,000, an increase of HK\$17,011,000 or 140.3% as compared to the same period last year.

Due to the intense market competition, coupled with the impact of the foreign epidemic situation and the cancellation of the export rebate policy on chrome-plated irons, 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.

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 2021, the property occupancy rate for the property leasing business of the Group was 91.6%, representing an increase of 3.6 percentage points as compared to the same period last year. Revenue was HK\$10,761,000, an increase of 5.9% as compared to the same period last year. The segment profit amounted to HK\$6,526,000, a decrease of 11.2% as compared to the same period last year. In addition, the value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$2,900,000 were recorded for the period.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Yellow Dragon

The Group holds a 40% interest in an associate, Yellow Dragon.

In the first half of 2021, Yellow Dragon recorded a sales volume of 129,161 tonnes of corn starch, its major product, representing an increase of 2.7% as compared to the same period last year. Product selling prices increased during the period. Revenue amounted to HK\$885,308,000, an increase of 66.6% as compared to the same period last year. Due to the decrease in gross profit per unit, loss increased as compared to the same period last year. Yellow Dragon recorded a loss of HK\$36,918,000 in the first half of 2021. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK\$14,767,000 (30 June 2020: HK\$5,077,000).

FINANCIAL POSITION

As at 30 June 2021, the Group's total assets and total liabilities amounted to HK\$3,930,851,000 and HK\$1,087,715,000, representing an increase of HK\$615,411,000 and HK\$556,683,000 respectively when compared with the positions at the end of 2020. Net current assets decreased from HK\$1,471,485,000 at the end of 2020 to HK\$1,430,410,000 as at 30 June 2021. The current ratio (current assets divided by current liabilities) decreased from 4.0 at the end of 2020 to 2.4 as at 30 June 2021.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2021 was HK\$893,170,000, representing a decrease of 0.2% when compared with the position at the end of 2020, of which 79.0% was denominated in Renminbi, 3.6% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income was HK\$4,501,000, representing a decrease of HK\$6,403,000 year on year.

As at 30 June 2021, the Group's net cash (being pledged deposits and cash and cash equivalents less borrowings) was HK\$689,375,000, a decrease of 19.8% comparing with the position at the end of 2020. As the Group was in a net cash position, no gearing ratio was presented (31 December 2020: net cash position).

As at 30 June 2021, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$1,118,781,000, of which HK\$578,188,000 was utilised and HK\$540,593,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2021 amounted to HK\$123,459,000 (30 June 2020: HK\$13,432,000). The Group's capital commitments at 30 June 2021 amounted to HK\$557,580,000 (31 December 2020: HK\$636,186,000), mainly for the construction of meat processing plant of GDH Food Foshan as well as the renovation of production facilities of GDH Zhongyue and GDH Zhongyue Posco. It is expected that the capital expenditure for 2021 will be approximately HK\$573,000,000.

Management Discussion and Analysis (Continued)

FINANCIAL POSITION (Continued)

Further Capital Injection in an Associate

On 22 June 2021, GDH Guangnan Hong Investment Company Limited ("Guangnan Hong Investment"), which is a wholly-owned subsidiary of GDH Guangnan Hong, Guangdong Foodstuffs Imp.& Exp. (Group) Corporation, Guangzhou Jiusheng Agricultural Technology Co., Ltd and Guangdong Baojin entered into a Capital Increase Agreement for further capital injection of Guangdong Baojin. Pursuant to the agreement, each shareholder agreed to subscribe for the registered capital of Guangdong Baojin on a pro rata basis to its existing shareholding. The consideration of Guangnan Hong Investment was RMB119,000,000. Upon completion of the Subscriptions, certain undistributed profits of Guangdong Baojin as at 31 December 2020 in the aggregate amount of RMB76,682,000 will be converted into the registered capital of Guangdong Baojin on a pro rata basis to the shareholding of each of shareholders. Upon completion of the capital increase in August 2021, the proportion of the existing shareholding in Guangdong Baojin will remain unchanged and Guangnan Hong Investment will remain interested in 34% of the equity interest of Guangdong Baojin.

Apart from the above, the Group had no material acquisitions and disposals of investments during the first half of 2021.

Pledge of Assets

As at 30 June 2021, deposits at banks of HK\$30,331,000 (31 December 2020: HK\$24,123,000) were pledged as securities for bills payable and letters of credit.

As at 30 June 2021, an amount of HK\$60,090,000 (2020: HK\$59,410,000) among the unutilised banking facilities were secured by mortgages over land and buildings with an aggregate carrying value of HK\$103,534,000 (2020: HK\$106,315,000). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2021, 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.

Management Discussion and Analysis (Continued)

FINANCIAL POSITION (Continued)

Exchange Rate and Interest Rate Exposures (Continued)

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2021, forward foreign exchange contracts of USD2,000,000 (equivalent to HK\$15,600,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2020, forward foreign exchange contracts of USD3,500,000 (equivalent to HK\$27,300,000) against Renminbi were held by the Group.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents, loan from bank, 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 2021, the Group had a total of 1,081 full-time employees, an increase of 10 from 1,071 at the end of 2020. 177 employees were based in Hong Kong and 904 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 2021, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

PROSPECTS

The world economy is currently in the recovery phase, but due to the impact of repeated COVID-19 outbreaks, the pace of economic recovery is different in domestic and overseas. Most Western countries implement loose monetary policies, and global inflationary pressures are steadily increasing. At present, the economic fundamentals are still facing many unstable and uncertain factors, which will bring certain pressure on the operation of the Group.

As for the fresh and live foodstuffs business, the Group will further consolidate the development foundation of the wholesale and retail trade business, and focus on grasping the opportunities of the modern agricultural industry. 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 whole industry chain of "livestock and poultry breeding – slaughter – cold chain transportation – fresh marketing", cultivate new profit growth points, establish a multi-level sales channel system for high-quality targets such as livestock and poultry breeding, slaughtering and processing, cold chain logistics, etc., explore new business models such as e-commerce and new food retail, so as to achieve to leapfrog development in the entire chain of fresh products.

Management Discussion and Analysis (Continued)

PROSPECTS (Continued)

In terms of livestock and poultry breeding, the Group will mainly stabilise the existing agency business operations for livestock supply to Hong Kong by adopting a self-breeding model to strategically control its own pig resources, strengthen the core links of breeding, and ensure the safe and stable supply of fresh agricultural products in the Guangdong-Hong Kong-Macao Greater Bay Area. The capital injection in Guangdong Baojin by the Group has laid a foundation for strengthening control of live pigs breeding and expanding the modern agricultural industry chain.

As for butchery and processing and cold chain logistics, the Group will strengthen the intermediate chain links such as meat processing plants and cold storage for the fresh and live foodstuffs, forming a synergistic relationship with upstream breeding and downstream terminals, and continue to provide the assured, high-quality, safe and fresh or processed products to consumers. The Group has accelerated the construction of the meat processing plant project in Foshan to establish a cornerstone for the expansion of the meat processing business.

In terms of sales networks, the Group actively introduces new business models such as e-commerce and new retail, and plans to gradually realise a multilevel sales network in the “9+2” urban cluster, with an aim to have comprehensive coverage of multiple sales points in the Guangdong-Hong Kong-Macao Greater Bay Area and other markets. The Group has in-depth plans to set up a number of fresh food retail chain stores and brand franchise stores in the Greater Bay Area and expand the distribution network in Hong Kong vigorously, thereby carrying out meat and non-staple food businesses and strengthening its business penetration and continuing to expand its business scale. A new online and offline integrated retail business has been launched by GDH Food, which has comprehensively promoted the construction of food sales channels in Mainland China.

In respect of the tinplating business, the Group adheres to the market-oriented, innovation-driven development strategy, continues to improve the core competitiveness of the Group’s product quality, craftsmanship and technology, vigorously explores ways to extend the product chain and value chain, and builds itself into a tinplate service provider with both high quality and efficiency to meet customer needs.

Faced with the current unclear situation of the COVID-19 pandemic, as well as policy adjustments for fresh and live food and tinplate businesses, market fluctuations, and other systemic risks, the Group will continue to pay attention to the relevant impacts, adjust development strategies in a timely manner, and strengthen supervision of business operations and risk prevention and control, in order to ensure the development of employees and meet customer needs. Leveraging on its sound financial condition and abundant capital resources, the Group will seize every opportunity for development and cooperation 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 12 to 38 which comprises the consolidated statement of financial position of GDH Guangnan (Holdings) Limited as of 30 June 2021 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 (the "Listing Rules") 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 2021 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

27 August 2021

Consolidated Income Statement

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
Revenue	3	1,894,942	1,130,089
Cost of sales		(1,709,770)	(1,010,734)
Gross profit		185,172	119,355
Other revenue	4	7,658	12,767
Other net gains/(losses)	4	1,525	(1,412)
Selling and distribution costs		(46,586)	(27,989)
Administrative expenses		(81,829)	(63,083)
Profit from operations		65,940	39,638
Valuation losses on investment properties	8(b)	(2,900)	(9,341)
Finance costs	5(a)	(1,744)	(1,416)
Share of profits less losses of associates		(1,271)	26,314
Profit before taxation	5	60,025	55,195
Income tax	6	(6,023)	(9,396)
Profit for the period		54,002	45,799
Attributable to:			
Equity shareholders of the Company		47,146	46,610
Non-controlling interests		6,856	(811)
Profit for the period		54,002	45,799
Earnings per share			
Basic	7(a)	5.2 cents	5.1 cents
Diluted	7(b)	5.2 cents	5.1 cents

The notes on pages 19 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Profit for the period	54,002	45,799
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	14,856	(28,763)
– associates outside Hong Kong	4,067	(5,447)
– tax (expense)/benefit related to a subsidiary outside Hong Kong	(583)	777
Net-of-tax amount	18,340	(33,433)
Total comprehensive income for the period	72,342	12,366
Attributable to:		
Equity shareholders of the Company	63,538	15,256
Non-controlling interests	8,804	(2,890)
Total comprehensive income for the period	72,342	12,366

The notes on pages 19 to 38 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2021
(Expressed in Hong Kong dollars)

	Note	At 30 June 2021 Unaudited \$'000	At 31 December 2020 Audited \$'000
Non-current assets			
Investment properties	8	268,919	450,265
Other property, plant and equipment	8	914,611	620,345
		1,183,530	1,070,610
Goodwill	12	1,415	1,415
Interest in associates		282,005	279,209
		1,466,950	1,351,234
Current assets			
Inventories	9	520,118	315,091
Trade and other receivables, deposits and prepayments	10	1,020,168	729,883
Current tax recoverable		114	–
Pledged deposits	21	30,331	24,123
Cash and cash equivalents	11	893,170	895,109
		2,463,901	1,964,206
Current liabilities			
Trade and other payables	14	791,442	429,885
Loan from bank	13	150,000	–
Loan from a fellow subsidiary	15	84,126	59,410
Lease liabilities		4,631	2,013
Current tax payable		3,292	1,413
		1,033,491	492,721
Net current assets		1,430,410	1,471,485
Total assets less current liabilities		2,897,360	2,822,719

Consolidated Statement of Financial Position (Continued)

at 30 June 2021
(Expressed in Hong Kong dollars)

	Note	At 30 June 2021 Unaudited \$'000	At 31 December 2020 Audited \$'000
Non-current liabilities			
Lease liabilities		12,030	717
Deferred tax liabilities		42,194	37,594
		54,224	38,311
NET ASSETS		2,843,136	2,784,408
CAPITAL AND RESERVES			
Share capital		459,651	459,651
Reserves		2,168,270	2,118,346
Total equity attributable to equity shareholders of the Company		2,627,921	2,577,997
Non-controlling interests		215,215	206,411
TOTAL EQUITY		2,843,136	2,784,408

The notes on pages 19 to 38 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company							Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000		
Balance at 1 January 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	16(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

Note	Attributable to equity shareholders of the Company							Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000		
Balance at 1 January 2020	459,651	131,171	2,121	107,440	69,501	1,668,700	2,438,584	145,941	2,584,525
Changes in equity for the six months ended 30 June 2020:									
Profit for the period	-	-	-	-	-	46,610	46,610	(811)	45,799
Other comprehensive income	-	(31,354)	-	-	-	-	(31,354)	(2,079)	(33,433)
Total comprehensive income	-	(31,354)	-	-	-	46,610	15,256	(2,890)	12,366
Dividends approved in respect of the previous year	16(b)	-	-	-	-	(27,228)	(27,228)	-	(27,228)
Balance at 30 June 2020	459,651	99,817	2,121	107,440	69,501	1,688,082	2,426,612	143,051	2,569,663

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company						Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Exchange reserve \$'000	Revaluation reserve \$'000	Special capital reserve \$'000	Other reserves \$'000	Retained profits \$'000			
Balance at 1 July 2020	459,651	99,817	2,121	107,440	69,501	1,688,082	2,426,612	143,051	2,569,663
Changes in equity for the six months ended 31 December 2020:									
Profit for the period	–	–	–	–	–	23,289	23,289	3,804	27,093
Other comprehensive income	–	137,172	–	–	–	–	137,172	9,060	146,232
Total comprehensive income	–	137,172	–	–	–	23,289	160,461	12,864	173,325
Transfer to statutory reserves	–	–	–	–	963	(963)	–	–	–
Acquisition of a subsidiary	12	–	–	–	–	–	–	50,496	50,496
Dividends approved in respect of the current year	16(a)	–	–	–	–	(9,076)	(9,076)	–	(9,076)
Balance at 31 December 2020	459,651	236,989	2,121	107,440	70,464	1,701,332	2,577,997	206,411	2,784,408

The notes on pages 19 to 38 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
Operating activities			
Cash (used in)/generated from operations		(53,510)	23,229
Tax paid, net		(246)	(8,445)
Net cash (used in)/generated from operating activities		(53,756)	14,784
Investing activities			
Payment for the purchase of property, plant and equipment		(123,865)	(11,403)
Dividends received from associates		–	13,396
Repayment of loans from an associate		–	15,969
Decrease in pledged deposits		–	11,564
Other cash flows arising from investing activities		43	46
Net cash (used in)/generated from investing activities		(123,822)	29,572
Financing activities			
Loan from a fellow subsidiary		23,968	55,230
Proceeds from a bank loan	13	150,000	–
Other cash flows arising from financing activities		(4,731)	(1,162)
Net cash generated from financing activities		169,237	54,068
Net (decrease)/increase in cash and cash equivalents		(8,341)	98,424
Cash and cash equivalents at 1 January	11	895,109	903,613
Effect of foreign exchange rates changes		6,402	(8,963)
Cash and cash equivalents at 30 June	11	893,170	993,074

The notes on pages 19 to 38 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, 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 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 11.

The financial information relating to the financial year ended 31 December 2020 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 2020 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The above amendments do not have an impact on this interim financial report.

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 tinplates 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 meat processing. |
| – 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	
	2021 \$'000	2020 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
– Tinplate products	1,361,997	948,426
– Fresh and live foodstuffs	475,610	130,637
	1,837,607	1,079,063
Commission income from the distribution of fresh and live foodstuffs	46,574	40,867
Revenue from other sources		
Rental income from property leasing	10,761	10,159
	1,894,942	1,130,089
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	214,382	190,161
Mainland China	1,280,561	493,726
Asian countries (excluding Mainland China and Hong Kong)	226,156	267,558
Other countries	173,843	178,644
	1,680,560	939,928
	1,894,942	1,130,089

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 2021 of \$3,288,000 (30 June 2020: \$3,950,000) and \$7,473,000 (30 June 2020: \$6,209,000) 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 June								
Reportable segment revenue	1,361,997	948,426	522,184	171,504	10,761	10,159	1,894,942	1,130,089
Reportable segment profit	29,134	12,123	51,119	57,173	6,526	7,349	86,779	76,645
As at 30 June/31 December								
Reportable segment assets	2,320,389	1,935,619	633,454	498,919	271,152	452,114	3,224,995	2,886,652
– including interest in associates	–	–	176,191	160,309	–	–	176,191	160,309
Reportable segment liabilities	822,537	447,624	51,896	33,328	39,672	40,563	914,105	521,515

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

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	86,779	76,645
Unallocated income and expenses	(7,343)	(5,616)
Valuation losses on investment properties	(2,900)	(9,341)
Finance costs	(1,744)	(1,416)
Share of loss of an associate not attributable to any segment	(14,767)	(5,077)
Consolidated profit before taxation	60,025	55,195
	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Assets		
Reportable segment assets	3,224,995	2,886,652
Interest in an associate not attributable to any segment	105,814	118,900
Unallocated assets	600,042	309,888
Consolidated total assets	3,930,851	3,315,440
Liabilities		
Reportable segment liabilities	914,105	521,515
Unallocated liabilities	173,610	9,517
Consolidated total liabilities	1,087,715	531,032

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE AND NET GAINS/(LOSSES)

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Other revenue		
Interest income on financial assets measured at amortised cost	4,501	10,904
Subsidies received	491	457
Others	2,666	1,406
	7,658	12,767
Other net gains/(losses)		
Net realised and unrealised exchange gain	1,413	1,467
Net gains/(losses) on forward foreign exchange contracts	291	(2,893)
Others	(179)	14
	1,525	(1,412)

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	
	2021 \$'000	2020 \$'000
(a) Finance costs		
Interest on bank loan	149	1,124
Interest on loan from a fellow subsidiary	1,243	160
Interest on lease liabilities	352	59
Other interest expense	–	73
	1,744	1,416
(b) Staff costs		
Net contributions to defined contribution retirement plans	9,025	4,037
Salaries, wages and other benefits	98,387	86,227
	107,412	90,264
(c) Other items		
Depreciation charge		
– Owned property, plant and equipment	30,029	27,094
– Right-of-use assets	3,006	2,767
Rentals receivable from investment properties less direct outgoings of \$684,000 (30 June 2020: \$592,000)	(10,077)	(9,567)

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	
		2021 \$'000	2020 \$'000
Current tax – Hong Kong			
Provision for the period		1,451	2,156
Current tax – the People's Republic of China (the "PRC")			
Provision for the period		555	346
Deferred tax			
Origination and reversal of temporary differences		4,017	6,894
	(i)	6,023	9,396

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2020: 16.5%) to the six months ended 30 June 2021.

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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of \$47,146,000 (30 June 2020: \$46,610,000) and 907,593,000 (30 June 2020: 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 2021 and 2020.

8 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and transfers of owned assets

During the six months ended 30 June 2021, the Group had acquired land use rights of HK\$74,098,000 (30 June 2020: \$Nil) and additions to property, plant and equipment with a cost of \$49,361,000 (30 June 2020: \$13,432,000). Also, the Group transferred from investment properties to other property, plant and equipment amounted to \$181,700,000 (30 June 2020: \$Nil) at fair value upon change in use.

(b) Investment properties

The valuations of investment properties carried at fair value were updated at 30 June 2021 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, using same valuation techniques as were used by the valuer when carrying out the December 2020 valuations. As a result of the update, valuation losses of \$2,900,000 (30 June 2020: \$9,341,000) have been recognised in profit or loss for the period.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INVENTORIES

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Raw materials, spare parts and consumables	321,195	155,298
Work in progress	50,949	63,153
Finished goods	147,974	96,640
	520,118	315,091

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 \$1,044,000 during the period (30 June 2020: \$1,215,000).

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Trade debtors	387,142	324,209
Bills receivable	207,793	231,083
Other receivables, deposits and prepayments	413,903	164,067
Amount due from a related company (note (i))	10,371	9,545
Amounts due from associates (note (ii))	959	948
Derivative financial instruments (note 17)	–	31
Trade and other receivables, deposits and prepayments	1,020,168	729,883

Notes:

- (i) The amount represents trade balances due from a company related to the minority shareholder of a non-wholly owned subsidiary.
- (ii) As at 30 June 2021 and 31 December 2020, 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.

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)

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 2021 \$'000	At 31 December 2020 \$'000
Within 1 month	574,811	537,468
1 to 3 months	29,883	26,378
Over 3 months	612	991
	605,306	564,837

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, 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 2021 \$'000	At 31 December 2020 \$'000
Deposits with banks	564,348	530,940
Cash at bank and in hand	328,822	364,169
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	893,170	895,109

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 GOODWILL AND BUSINESS COMBINATION

	2021 \$'000
Carrying amount at 31 December 2020, 1 January 2021 and 30 June 2021	1,415

On 22 December 2020, GDH Guangnan Hong, a wholly owned subsidiary of the Company, entered into a capital injection agreement with GDH Food Foshan and Foshan City Nanhai District Xinying Enterprise Planning Corporation ("Xinying"), which was the sole shareholder of GDH Food Foshan. Pursuant to the agreement, GDH Guangnan Hong and Xinying have conditionally agreed to subscribe for the registered capital in GDH Food Foshan of RMB79,857,200 (equivalent to approximately of \$95,194,000) and RMB40,000,000 (equivalent to approximately of \$47,680,000) respectively. Upon the completion on 29 December 2020, the registered capital of GDH Food Foshan was RMB122,857,200 and it was owned 65% and 35% by GDH Guangnan Hong and Xinying respectively.

The Group had elected to measure the non-controlling interests in the GDH Food Foshan at the non-controlling interests' proportionate share of the entity's identifiable net assets.

13 LOAN FROM BANK

At 30 June 2021, the bank loan was repayable as follows:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 1 year or on demand	150,000	–

As at 30 June 2021, the Group's available banking facilities amounted to \$1,118,781,000 (31 December 2020: \$673,888,000), which \$578,188,000 (31 December 2020: \$231,409,000) was utilised. Certain portion of the utilised banking facilities were secured by deposits (see note 21). The remaining unutilised banking facilities include \$60,090,000 (31 December 2020: \$59,410,000) which were secured by mortgages over land and buildings with an aggregate carrying value of \$103,534,000 (31 December 2020: \$106,315,000).

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 2021, none of the covenants relating to drawn down facilities had been breached (31 December 2020: \$Nil).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 TRADE AND OTHER PAYABLES

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Trade creditors	84,012	41,380
Bills payable	360,548	209,168
Other payables and accrued charges	132,734	101,996
Contract liabilities	81,064	21,163
Amount due to a related company (note (i))	124,282	54,891
Amount due to an associate (note (ii))	268	313
Amounts due to fellow subsidiaries (note (iii))	371	974
Amounts due to the immediate holding company (note (iv))	8,057	–
Derivative financial instruments (note 17)	106	–
	791,442	429,885

Notes:

- (i) The amount represents trade balance due to a company related to the 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) The amount represents dividend payable to the immediate holding company.
- (v) All of the Group's trade and other payables are expected to be settled or recognised as income within one year except for an amount of \$580,000 (31 December 2020: \$225,000), which is expected to be settled or recognised as income after more than one year.

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 2021 \$'000	At 31 December 2020 \$'000
Due within 1 month or on demand	282,936	195,151
Due after 1 month but within 3 months	96,370	48,110
Due after 3 months but within 1 year	189,750	62,437
	569,056	305,698

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 LOAN FROM A FELLOW SUBSIDIARY

As at 30 June 2021, the loan from a fellow subsidiary was unsecured, interest-bearing at 4.20% (31 December 2020: 4.35%) per annum and repayable within one year.

16 DIVIDENDS

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

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2020: 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	
	2021 \$'000	2020 \$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 1.5 cents (30 June 2020: 3.0 cents) per ordinary share	13,614	27,228

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Fair value hierarchy

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

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

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

	Fair value at 30 June 2021 \$'000	Fair value measurements as at 30 June 2021 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements:				
Liability:				
Forward foreign exchange contracts (note 14)	106	–	106	–

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy (Continued)

Fair value at 31 December 2020 \$'000	Fair value measurements as at 31 December 2020 categorised into		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000

Recurring fair value measurements:

Asset:

Forward foreign exchange contracts (note 10)	31	–	31	–
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During the six months ended 30 June 2021 and 2020, 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 2021 and 31 December 2020.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 RETIREMENT BENEFITS SCHEMES

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

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

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

The Group's pension cost charged to the consolidated income statement for the six months ended 30 June 2021 was \$9,025,000 (30 June 2020: \$4,037,000).

19 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report were as follows:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Contracted for	388,104	49,913
Authorised but not contracted for	169,476	586,273
	557,580	636,186

- (b) At 30 June 2021, the Group had committed to provide additional capital of \$143,014,000 (31 December 2020: \$6,489,000) to an associate of the Group on a pro rata basis to existing shareholding. The additional capital was paid subsequent to the end of reporting period.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

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

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
Sales of goods to related companies	(i)	165,181	164,985
Commission paid/payable to a related company	(i), (ii)	675	544
Commission received/receivable from associates	(iii)	13,983	11,737
Interest income received/receivable from an associate	(iv)	–	207
Interest expense paid/payable to a fellow subsidiary	(v)	1,243	160
Purchases of goods from associates	(vi)	6,720	8,634
Purchases of goods from related companies including transport services fee paid/payable	(i)	207,072	134,286
Purchases of electricity from a fellow subsidiary	(vii)	17,606	17,019

Notes:

- (i) Related companies refer to a minority shareholder of a non-wholly owned subsidiary of the Group, POSCO Co., Ltd. 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.
- (iv) This represents interest income from loans to an associate.
- (v) This represents interest expense on loan from a fellow subsidiary.
- (vi) This represents purchases of goods from associates in respect of trading of fresh and live foodstuffs.
- (vii) This represents purchases of electricity from a fellow subsidiary in respect of production of tinplates and related products.
- (viii) 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)

20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

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

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Short-term employee benefits	1,668	1,184
Post-employment benefits	509	186
	2,177	1,370

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 PLEDGED DEPOSITS

As at 30 June 2021, deposits at banks of \$30,331,000 (31 December 2020: \$24,123,000) were pledged as securities for bills payable and letters of credit.

22 SUBSEQUENT EVENTS

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

Directors' Interests and Short Positions In Securities

As at 30 June 2021, 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 2021.

Save as disclosed above, as at 30 June 2021, 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 2021, 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	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)	537,198,868	Long position	59.19%
GDH Limited ("GDH")	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 2021.
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 2021, 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 2021.

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 2021.

CHANGE IN DIRECTOR'S INFORMATION

The changes in Directors' information are set out below:

- (1) Mr. Chen Benguang was appointed the chairman of GDH Guangnan Investment Company Limited ("GDH Guangnan Investment") in April 2021. He was also appointed a director of Guangdong Baojin in July 2021.
- (2) Mr. Wang Longhai, Mr. He Jinzhou and Mr. Chau Wang Kei were appointed the director of GDH Guangnan Investment in April 2021.

Save for the above changes in Director's information, there is no other information 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 2021. 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 2021, 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 27 May 2021 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 Agreement be 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 2021 amounted to HK\$150,000,000.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend for 2021 of HK1.0 cent per share (2020: HK1.0 cent per share). The interim dividend will be paid on Monday, 25 October 2021 to the shareholders whose names appear on the register of members of the Company on Thursday, 7 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 6 October 2021 and Thursday, 7 October 2021. 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 Tuesday, 5 October 2021.

By Order of the Board
Chen Benguang
Chairman

Hong Kong, 27 August 2021



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