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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Financial highlights for the year ended 31 December

	2023	2022	
	HK$'000	HK$'000	Change
Revenue	**10,385,807**	8,311,752	25.0%
Profit from operations	**278,222**	277,034	0.4%
Profit attributable to shareholders	**65,924**	135,673	-51.4%
Earnings per share – Basic	**HK 7.3 cents**	HK 14.9 cents	-51.0%
Dividend per share			
Interim	**HK 1.0 cent**	HK 1.0 cent	
Proposed final	**HK 2.0 cents**	HK 2.0 cents	
	HK 3.0 cents	HK 3.0 cents	0.0%

CHAIRMAN'S STATEMENT

I hereby present to the shareholders that GDH Guangnan (Holdings) Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue of HK$10,386 million in 2023, representing an increase of HK$2,074 million or 25.0% from HK$8,312 million in 2022. Consolidated profit from operations was HK$278 million, representing an increase of HK$1.19 million or 0.4% from HK$277 million in 2022. Consolidated profit attributable to equity shareholders of the Company was HK$65.92 million, representing a decrease of 51.4% compared with HK$136 million in 2022. The basic earnings per share was HK7.3 cents, representing a decrease of 51.0% from HK14.9 cents in 2022.

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of HK2.0 cents per share for the year 2023. The abovementioned final dividend for 2023, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 19 July 2024.

Business Development

As for the fresh and live foodstuffs business, the Group will, standing on a new development stage to implement new development philosophy, accelerate the business layout in a bid to strengthen, enhance and expand the fresh and live foodstuffs business. Moreover, focusing on the "vegetable basket" market in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will focus on grasping the development opportunities of the food industry and further consolidate the development foundation of the slaughtering business. The Group will also invest in the construction of an integrated industrial chain operation platform of "livestock and poultry breeding － slaughter and processing － cold chain distribution － fresh marketing", and cultivate new profit growth points by exploring the possibility of entering into the field of biotechnology. The Group will also 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 food products. Guided by market demand and supported by scientific and technological innovation, the Group will accelerate the transformation of the development mode of the food segment, optimise the structural layout of the segment, and enhance the comprehensive production and service capabilities and core competitiveness of the fresh and live foodstuffs business.

For new investment and operation projects, in the second half of year 2023, Zhuhai-Hong Kong-Macao Food Processing Plant of GDH Food (Zhuhai) Company Limited ("GDH Food Zhuhai") commenced operation, and promote the slaughtering of pigs, cattle and sheep, and the processing and sale of meat products locally in an orderly manner. In strict compliance with the meat inspection requirements of the government authorities, the Group comprehensively strengthened the supervision of meat product quality, strictly implemented the relevant inspection and quarantine systems, providing consumers with safe and quality fresh or processed products and achieving stable and profitable operation. At the fourth quarter of 2023, the Group subscribed for 51% equity interest in GDH Food (Guangzhou) Co., Ltd. ("GDH Food Guangzhou") , which laid the foundation for entering into the fresh food distribution, wholesale, retail and store expansion path in Mainland China. As for investment in Hong Kong, the Group acquired the shop premise at Koway Court in Chai Wan in the second half of 2023 to further expand the scale of its retail business in Hong Kong, in order to well establish the terminal network between Mainland China and Hong Kong .

Business Development (Continued)

In respect of the tinplating business, the Group adheres to the customer-oriented, innovation-driven development strategy, continues to enhance the core competitiveness of the Group's product in terms of quality, craftsmanship and technology, and builds itself into the most reliable tinplate supply chain service provider for customers. By benchmarking against industry practices, understanding the operation of customers, expanding the development of new customers, and fully satisfying customer needs, the utilisation production capacity is to be assured . Adhering to the profit-oriented marketing strategy, the Group strengthens the information exchange among marketing teams and industry peers, and works together with them to refine the prediction of business trends and analysis, so as to enhance the business structure. By continuously paying attention to the market conditions, improving the ability to predict, and adjusting the pace of material procurement in a scientific manner, the negative impact of the fluctuation of commodity prices has also been effectively dealt with.

With regard to the associated companies, the pig farming industry in Mainland China is facing a complicated and severe situation. The price of live pigs remained low in 2023 and swine disease was relatively serious in certain areas of Mainland China, which affected the associated companies engaging in pig farming and pig sales, as evidenced by higher disease prevention and operating costs leading to increasing operation losses.

Prospects

Looking ahead into 2024, the domestic and foreign macro environment undergoes changes. The complicated and grim international environment as well as the escalating geopolitical conflicts create uncertainties to economy. Nevertheless, China's economy is expected to recover further in 2024, the Group's operations face various opportunities and challenges.

In the face of the risks and challenges faced by the fresh and live foodstuffs business and tinplating business, the Group mainly focuses on the strengthening and enhancement of fresh and live foodstuffs business and stabilizing the development of tinplating business. We will strengthen business development and enrich business types with innovative thinking, concentrate on risk prevention, control and compliance works as well as enhance the standard of corporate governance to safeguard business operation. Meanwhile, the Group will adjust business strategies in a timely manner and expand to new business areas through capital investment, so as to ensure the continuous growth of the Group's operating results. Leveraging on its sound financial strategy and abundant cash flows, the Group will seize every development opportunity in the Guangdong-Hong Kong-Macao Greater Bay Area with an aim to enhance its scale of corporate revenue and profitability, thereby maximising value for its shareholders.

Last but not the least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their support as well as our dedicated and hardworking management team and employees.

Chen Benguang
Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Fresh and live foodstuffs Business

In respect of our operation in Mainland China, benefiting from the layout of our Group's slaughtering business in the Greater Bay Area and in a bid to strengthen, enhance and expand the slaughtering business, Zhuhai-Hong Kong-Macao Food Processing Plant operated by GDH Food Zhuhai had commenced operation in the second half of year 2023. The live pig slaughtering volume of the Group, a new profit growth driver, was exceed 3.09 million heads in 2023, increased by 118.0% as compared to last year, enabling the Group to rank among one of the top in terms of slaughtering volume in Guangdong Province. In addition, with the subscription of the 51% equity interest in GDH Food Guangzhou in the fourth quarter of 2023, the Group's food wholesale and retail business in the mainland continued to expand, which further facilitated the development of fresh food distribution services and enable the expansion of new retail stores in the Guangzhou area.

In respect of our operation in Hong Kong, the swine price remained low during the year under review. The Group had thus increased the sales volume of live pigs so as to offset the negative impact from the declining swine price. The overall market share in the live pigs supply into Hong Kong was about 49%. Meanwhile, the Group expanded in the foodstuff wholesale and retail business, Brilliant Food Products Limited has seven retail stores during the year.

As a result of the aforesaid effort, the revenue and segment profit (excluding share of losses of associates) of the fresh and live foodstuffs business increased respectively by 48.2% to HK$8,115 million and by 33.9% to HK$204 million as compared to last year. As affected by low swine price as well as the outbreak of relatively serious swine disease in certain areas of Mainland China, the performance of associated companies that engaged in pig farming and pig trading deteriorated and recorded increased losses as compared to last year. Share of losses of the two associates of the Group amounted to a total of HK$104 million (2022: share of losses of HK$13.22 million), which offset the segment profit of fresh and live foodstuffs business. After deduction of the share of losses of the associates, the segment profit of the fresh and live foodstuffs was HK$100 million, decreased by HK$38.81 million or 27.9%, as compared to that in 2022.

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

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. ("GDH Zhongyue") and GDH Zhongyue (Qinhuangdao) Tinplate Industrial Co., Ltd. ("GDH Zhongyue Qinhuangdao") are 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. The production capacity of GDH Zhongyue is 290,000 tonnes tinplate products and 140,000 tonnes blackplates; while the production capacity of GDH Zhongyue Qinhuangdao is 200,000 tonnes tinplate products.

The revenue of the tinplating business accounted for 21.7% of the Group's revenue. In 2023, the intensified competition of the tinplating industry causing a drop in the selling price of tinplate products and as a result of that, the segment of tinplating recorded a decrease in profit. The Group produced 287,000 tonnes of tinplate products, representing a decrease of 0.3% as compared to that in 2022. Among which, GDH Zhongyue and GDH Zhongyue Qinhuangdao produced 195,000 tonnes and 92,000 tonnes, of tinplate products, respectively. In addition, the Group sold 291,000 tonnes of tinplate products, an increase of 1.4% as compared to that in 2022, of which GDH Zhongyue and GDH Zhongyue Qinhuangdao respectively sold 200,000 tonnes and 91,000 tonnes of tinplate products. The revenue was HK$2,251 million, a decrease of HK$566 million or 20.1% as compared to that in 2022. The segment profit was HK$85.03 million, a decrease of HK$53.37 million or 38.6% as compared to that in 2022.

Due to the intensified market competition, the Group strengthens the supply chain management of raw material procurement, so as to effectively control procurement costs. Meanwhile, the Group 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 2023, the property occupancy rate for the property leasing business of the Group was 86.5%, representing a decrease of 6.9% as compared to that in 2022. Revenue was HK$19.92 million, a decrease of 0.3% as compared to that in 2022. With the implementation of various cost reduction measures, the segment profit amounted to HK$9.84 million, an increase of 9.9% as compared to that in 2022. In addition, the value of investment properties held by the Group decreased. Valuation losses on investment properties of HK$3.47 million (2022: valuation gains of HK$1.68 million) was recorded in 2023.

Yellow Dragon

The Group holds 40% interest in Yellow Dragon Food Industry Co., Ltd.("Yellow Dragon"). The liquidation of Yellow Dragon was still in progress. In 2023, the Group's share of loss was HK$23.31 million (2022: share of loss HK$43.22 million). In addition, with the expectation of receiving the residual funds after completion of the liquidation, the reversal of impairment loss in the amount of HK$23.76 million was recorded.

FINANCIAL POSITION

As at 31 December 2023, the Group's total assets and total liabilities amounted to HK$4,789 million and HK$1,993 million, representing a decrease of HK$95 million and HK$107 million respectively when compared with the positions at the end of 2022. Net current assets increased from HK$962 million at the end of 2022 to HK$1,205 million at the end of 2023. The current ratio (current assets divided by current liabilities) increased from 1.6 at the end of 2022 to 1.9 at the end of 2023.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 31 December 2023 was HK$1,036 million, representing a decrease of 14.5% when compared with the position at the end of 2022, of which 81.1% was denominated in Renminbi, 5.2% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income decreased from HK$14.49 million in 2022 to HK$13.64 million in 2023.

As at 31 December 2023, the Group's net cash (being pledged deposits and cash and cash equivalents less borrowings) was HK$122 million, a decrease of 47.7% comparing with the position at the end of 2022. As the Group was in a net cash position, no gearing ratio was presented (31 December 2022: net cash position).

As at 31 December 2023, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK$3,308 million, of which HK$1,165 million was utilised and HK$2,143 million 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 2023 amounted to HK$261 million (2022: HK$190 million). Capital commitments outstanding at 31 December 2023 not provided for in the financial statements amounted to HK$37.14 million (2022: HK$320 million), mainly for the renovation of production equipment of tinplating business. It is expected that the capital expenditure for 2024 will be approximately HK$37.14 million.

Acquisitions of Investments

On 6 November 2023, GDH Guangnan Investment Company Limited ("Guangnan Investment"), being a wholly-owned subsidiary of the Company, entered into agreement and conditionally agreed to subscribe for 51% of the enlarged registered capital of the GDH Food Guangzhou for the consideration of RMB3.28 million as well as Guangnan Investment and the original shareholder had conditionally agreed to inject the amount of RMB40.80 million and RMB39.20 million respectively, to the capital of the GDH Food Guangzhou after the subscription completion on pro-rata basis. Upon completion of the subscription and capital increase, Guangnan Investment owned 51% equity interest of GDH Food Guangzhou.

Except for the abovementioned matter, the Group had no other material acquisitions and disposals of investments during the year.

Pledge of Assets

As at 31 December 2023, deposits at bank of HK$9.58 million (2022: HK$18.81 million) were pledged as securities for bills payable.

As at 31 December 2023, banking facilities amounting to HK$761 million (2022: HK$409 million) were secured by mortgages over land and buildings with an aggregate carrying value of HK$489 million (2022: HK$357 million). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

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

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 31 December 2023, a forward foreign exchange contract of USD0.50 million (equivalent to HK$3.9 million) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2022, no forward foreign exchange contracts were held by the Group.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents, loan from a fellow subsidiary, lease liabilities and financial liabilities at amortised cost. 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 31 December 2023, the Group had a total of 1,520 full-time employees, an increase of 84 employees as compared to that of as at 31 December 2022. 245 employees were based in Hong Kong and 1,275 employees were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2023, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

The Board announces the consolidated results of the Group for the year ended 31 December 2023, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	***2023*** **$'000**	*2022* $'000
Revenue	3	**10,385,807**	8,311,752
Cost of sales		**(9,816,815)**	(7,753,373)
Gross profit		**568,992**	558,379
Other revenue	4	**39,996**	30,298
Other net gains	5	**1,360**	11,014
Selling and distribution costs		**(40,500)**	(24,019)
Administrative expenses		**(204,354)**	(206,465)
Other operating expenses		**(87,272)**	(92,173)
Profit from operations		**278,222**	277,034
Valuation (losses) /gains on investment properties	10	**(3,472)**	1,675
Finance costs	6(a)	**(26,324)**	(19,195)
Share of loss of a joint venture		**(50)**	-
Share of losses of associates		**(127,053)**	(56,436)
Reversal of impairment loss on interest in an associate		**23,764**	-
Profit before taxation	6	**145,087**	203,078
Income tax	7	**(52,310)**	(50,042)
Profit for the year		**92,777**	153,036
Attributable to:			
Equity shareholders of the Company		**65,924**	135,673
Non-controlling interests		**26,853**	17,363
Profit for the year		**92,777**	153,036
Dividends payable to equity shareholders of the	8(a)		
Interim dividend declared and paid during the year		**9,076**	9,076
Final dividend proposed after the end of the reporting		**18,152**	18,152
		27,228	27,228
Earnings per share			
Basic	9(a)	**7.3 cents**	14.9 cents
Diluted	9(b)	**7.3 cents**	14.9 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	*2023* **$'000**	*2022* $'000
Profit for the year		**92,777**	153,036
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of:			
- subsidiaries outside Hong Kong		**(41,280)**	(215,683)
- associates outside Hong Kong		**(4,312)**	(34,376)
- joint venture outside Hong Kong		**190**	-
- tax (expense)/credit related to a subsidiary outside Hong Kong		**(278)**	2,117
Net-of-tax amount		**(45,680)**	(247,942)
Total comprehensive income for the year		**47,097**	(94,906)
Attributable to:			
Equity shareholders of the Company		**23,349**	(98,469)
Non-controlling interests		**23,748**	3,563
Total comprehensive income for the year		**47,097**	(94,906)

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in Hong Kong dollars)

	Note	***2023*** **$'000**	*2022* $'000
Non-current assets			
Property, plant and equipment		**1,730,678**	1,581,249
Investment properties	10	**238,160**	272,878
		1,968,838	1,854,127
Goodwill		**85,904**	85,408
Interest in a joint venture		**10,986**	-
Interests in associates		**153,609**	261,210
		2,219,337	2,200,745
Current assets			
Inventories	11	**486,328**	526,046
Trade and other receivables, deposits and prepayments	12	**1,037,833**	926,772
Pledged deposits		**9,575**	18,812
Cash and cash equivalents	13	**1,035,928**	1,211,631
		2,569,664	2,683,261
Current liabilities			
Trade and other payables	14	**943,661**	969,461
Bank loans	15	**375,383**	695,900
Loan from a fellow subsidiary		**20,177**	32,489
Lease liabilities		**8,662**	8,869
Current tax payable		**16,926**	14,537
		1,364,809	1,721,256
Net current assets		**1,204,855**	962,005
Total assets less current liabilities		**3,424,192**	3,162,750
Non-current liabilities			
Bank loans	15	**358,225**	217,586
Loan from a fellow subsidiary		**169,363**	50,599
Deferred revenue		**7,606**	9,117
Financial liability at amortised cost		**14,299**	13,961
Lease liabilities		**7,838**	13,385
Deferred tax liabilities		**71,216**	74,189
		628,547	378,837
Net assets		**2,795,645**	2,783,913
Capital and reserves			
Share capital		**459,651**	459,651
Reserves		**2,110,363**	2,114,242
Total equity attributable to equity shareholders of the Company		**2,570,014**	2,573,893
Non-controlling interests		**225,631**	210,020
Total equity		**2,795,645**	2,783,913

Notes to the consolidated financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This financial information has been prepared on a basis consistent with the accounting policies and methods adopted in the 2022 annual financial statements, except for the accounting policy changes that are reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

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

2. Changes in accounting policies

(i) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

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

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2. Changes in accounting policies (Continued)

(i) New and amended HKFRSs (continued)

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

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

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

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The standard does not have a material impact on these financial statements.

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

In July 2023, the HKICPA published "Accounting implications of the abolition of the mandatory provident fund ("MPF")-long service payment ("LSP") offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. The amendment has no material impact on the Group's LSP liability with respect to employees that participate in the MPF Scheme.

3. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are distribution and trading of fresh and live foodstuffs, provision of slaughtering service, manufacturing and sales of tinplate products and property leasing. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue

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

	2023	*2022*
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Fresh and live foodstuffs	**7,933,711**	5,296,634
- Tinplate products	**2,250,537**	2,816,329
	10,184,248	8,112,963
Commission income from the distribution of fresh and live foodstuffs	**81,566**	118,783
Slaughtering service income	**100,071**	60,015
	10,365,885	8,291,761
Revenue from other sources		
Rental income from property leasing	**19,922**	19,991
	10,385,807	8,311,752

Disaggregation of revenue from contracts with customers by geographic location is disclosed in note 3(b)(iii).

The Group's customer base is diversified and includes no (2022: none) customer with whom transactions have exceeded 10% of the Group's revenue.

3. Revenue and segment reporting (Continued)

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment profit includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of results arising from the activities of the Group's associates.
- Segment assets include all tangible, intangible assets and current assets with the exception of interest in a joint venture and an associate not attributable to any segment and other corporate assets. Segment liabilities include current and non-current liabilities attributable to the business activities of the individual segments.

In addition, management is provided with segment information concerning revenue and other information relevant to the assessment of segment performance and allocation of resources between segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3. Revenue and segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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 year is set out below.

	Fresh and live foodstuffs		*Tinplating*		*Property leasing*		*Total*	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*	***2023***	*2022*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment revenue	**8,115,348**	5,475,432	**2,250,537**	2,816,329	**19,922**	19,991	**10,385,807**	8,311,752
Reportable segment profit	**100,369**	139,176	**85,032**	138,398	**9,844**	8,955	**195,245**	286,529
-including share of losses of associates	**(103,741)**	(13,216)	**-**	-	**-**	-	**(103,741)**	(13,216)
Reportable segment assets	**2,148,107**	1,845,642	**1,868,744**	2,122,272	**263,690**	274,086	**4,280,541**	4,242,000
-including interests in associates	**129,860**	237,321	**-**	-	**-**	-	**129,860**	237,321
Reportable segment liabilities	**1,135,399**	1,237,205	**639,096**	562,813	**39,673**	40,557	**1,814,168**	1,840,575
Depreciation for the year	**49,874**	23,397	**55,197**	55,009	**331**	346	**105,402**	78,752
Interest income	**2,746**	1,118	**6,591**	6,809	**-**	-	**9,337**	7,927
(Reversal of write-down)/write-down of inventories	**-**	-	**(6,705)**	4,424	**-**	-	**(6,705)**	4,424
Additions to non-current segment assets during the year (Note)	**260,276**	500,557	**18,859**	26,292	**-**	-	**279,135**	526,849

Note: The amount includes acquisition of a subsidiary of $257,000 (2022: acquisition of subsidiaries of $336,038,000) during the year.

3. Revenue and segment reporting (Continued)

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

	2023	*2022*
	$'000	$'000
Profit		
Reportable segment profit derived from the Group's external customers and associates	**195,245**	286,529
Unallocated income and expenses	**(20,687)**	(22,732)
Valuation (losses)/gains on investment properties	**(3,472)**	1,675
Net fair value (loss)/gain on derivative financial instruments	**(77)**	21
Finance costs	**(26,324)**	(19,195)
Share of loss of a joint venture not attributable to any segment	**(50)**	-
Share of losses of an associate not attributable to any segment	**(23,312)**	(43,220)
Reversal of impairment loss on interest in an associate not attributable to any segment	**23,764**	-
Consolidated profit before taxation	**145,087**	203,078
Assets		
Reportable segment assets	**4,280,541**	4,242,000
Interest in a joint venture not attributable to any segment	**10,986**	-
Interest in an associate not attributable to any segment	**23,749**	23,889
Unallocated assets	**473,725**	618,117
Consolidated total assets	**4,789,001**	4,884,006
Liabilities		
Reportable segment liabilities	**1,814,168**	1,840,575
Unallocated liabilities	**179,188**	259,518
Consolidated total liabilities	**1,993,356**	2,100,093

3. Revenue and segment reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, interest in a joint venture and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of operations, in the case of deposits and prepayments (non-current portion), interests in associates and interest in a joint venture.

	Revenue from external customers		***Specified non-current assets***	
	2023	*2022*	***2023***	*2022*
	$'000	$'000	**$'000**	$'000
Hong Kong (place of domicile)	**809,087**	528,200	**371,733**	352,093
Mainland China	**9,064,873**	6,794,760	**1,761,700**	1,763,244
Asian countries (excluding Mainland China and Hong Kong)	**297,588**	527,531	-	-
Other countries	**214,259**	461,261	-	-
	9,576,720	7,783,552	**1,761,700**	1,763,244
	10,385,807	8,311,752	**2,133,433**	2,115,337

The analysis above includes property rental income from external customers in Hong Kong and in Mainland China of $1,963,000 (2022: $1,961,000) and $17,959,000 (2022: $18,030,000) respectively.

(iv) The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to all its contracts such that no information regarding revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is disclosed because either the remaining performance obligation is part of a contract that has an original expected duration of one year or less or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

4. Other revenue

	2023	*2022*
	$'000	$'000
Interest income on financial assets measured at amortised cost	**13,639**	14,486
Subsidies received	**15,335**	9,272
Others	**11,022**	6,540
	39,996	30,298

5. Other net gains

	2023	*2022*
	$'000	$'000
Net realised and unrealised exchange gain	**2,800**	11,301
Net losses on forward foreign exchange contracts	**(262)**	(81)
Net (loss) / gain on disposal of property, plant and equipment	**(136)**	3,125
Net loss on write-off of property, plant and equipment	**(965)**	(3,352)
Net fair value (loss) / gain on derivative financial instruments	**(77)**	21
	1,360	11,014

6. Profit before taxation

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

	2023	*2022*
	$'000	$'000
(a) Finance costs		
Interest on bank loan	**32,707**	20,108
Interest on loan from a fellow subsidiary	**4,774**	2,435
Interest on lease liabilities	**498**	367
Interest on financial liability at amortised cost	**338**	-
Total interest expense on financial liabilities at amortised cost	**38,317**	22,910
Less: interest expense capitalised into construction in progress*	**(11,993)**	(3,715)
	26,324	19,195

* The borrowing costs have been capitalised at a rate of 3.00% - 6.34% (2022: 2.21% - 4.99%) per annum.

6. Profit before taxation (Continued)

	2023	*2022*
	$'000	$'000
(b) Staff costs		
Net contributions to defined contribution retirement plans	**24,269**	22,940
Salaries, wages and other benefits	**285,401**	276,073
	309,670	299,013
(c) Other items		
Cost of inventories sold (Note (i))	**9,787,296**	7,722,007
Auditors' remuneration	**4,115**	6,210
Depreciation charge		
- Owned property, plant and equipment	**93,505**	72,554
- Right-of-use assets	**17,828**	11,096
Variable lease payments not included in the measurement of lease liabilities	**3,520**	3,345
Research and development costs	**87,272**	92,173
Rental income from investment properties less direct outgoings of $1,553,000 (2022: $1,664,000)	**(18,369)**	(18,327)

Note:

(i) Cost of inventories sold includes $187,574,000 (2022: $164,387,000) relating to staff costs, depreciation expense and reversal of write down / write-down of inventories which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Note	*2023* **$'000**	*2022* $'000
Current tax – Hong Kong			
Provision for the year		**3,229**	3,442
Under-provision in respect of prior years		**108**	366
		3,337	3,808
Current tax – the People's Republic of China ("PRC")			
Provision for the year		**48,815**	38,112
Under-provision in respect of prior years		**675**	-
		49,490	38,112
Deferred tax			
Origination and reversal of temporary differences		**(517)**	8,122
	(i)	**52,310**	50,042

Notes:

(i) The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Government of the Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2022-23 subject to a maximum reduction of $6,000 for each company (2022: a reduction granted by the Government of the Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2021-22 subject to a maximum reduction of $10,000 for each company).

Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective rate of 25% that is expected to be applicable in the PRC, except for two subsidiaries that is entitled to tax incentive as a new and high technology enterprise, enjoys 15% annual effective tax rate.

(ii) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at 5%.

8. Dividends

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

	2023	*2022*
	$'000	$'000
Interim dividend declared and paid of 1.0 cent (2022: 1.0 cent) per ordinary share	**9,076**	9,076
Final dividend proposed after the end of the reporting period of 2.0 cents (2022: 2.0 cents) per ordinary share	**18,152**	18,152
	27,228	27,228

The final dividend proposed 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 and paid during the year:

	2023	*2022*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.0 cents (2022: 1.5 cents) per ordinary share	**18,152**	13,614

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $65,924,000 (2022: $135,673,000) and 907,593,000 (2022: 907,593,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no potential dilutive shares in existence during the years ended 31 December 2023 and 2022.

10. Investment properties

Investment properties of the Group situated in Hong Kong with an aggregate value of $69,400,000 (2022: $101,700,000) were revalued at 31 December 2023 by an independent firm of surveyors, RHL Appraisal Limited (31 December 2022: RHL Appraisal Limited), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties of the Group situated in the PRC totalling $168,760,000 (2022: $171,178,000) were revalued at 31 December 2023 by an independent firm of surveyors, RHL Appraisal Limited (31 December 2022: RHL Appraisal Limited), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. During the year, the Group transferred from investment properties to property, plant equipment amounted to $28,800,000 (31 December 2022: $Nil) at fair value upon change in use. The chief financial officer has discussions with the surveyors about the valuation assumptions and valuation results when valuations are performed at each interim and annual report date.

Based on the revaluations, valuation losses of $3,472,000 (2022: valuation gains of $1,675,000) have been recognised in the consolidated income statement.

11. Inventories

	2023	*2022*
	$'000	$'000
Raw materials, spare parts and consumables	**213,166**	234,894
Work in progress	**46,641**	31,397
Finished goods	**226,521**	259,755
	486,328	526,046

12. Trade and other receivables, deposits and prepayments

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

	2023	*2022*
	$'000	$'000
Within 1 month	**685,083**	656,288
1 to 3 months	**1,655**	56,203
Over 3 months	**4,375**	9
	691,113	712,500

12. 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, the credit period is usually less than 1 month. Cash deposits or financial guarantees from other parties are required for certain customers. For the Group's property leasing business, rental is collected 1 month in advance and rental deposits are obtained from the tenants. In general, debtors of the Group with balances that are more than 1 month overdue are requested to settle all outstanding balances before any further credit is granted.

13. Cash and cash equivalents

	2023	*2022*
	$'000	$'000
Deposits with banks	**170,490**	398,978
Cash at bank and on hand	**865,438**	812,653
Cash and cash equivalents in the consolidated statement of financial position	**1,035,928**	1,211,631

14. Trade and other payables

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

	2023	*2022*
	$'000	$'000
Due within 1 month or on demand	**477,833**	243,311
Due after 1 month but within 3 months	**23,703**	59,914
Due after 3 months but within 1 year	**-**	18,706
	501,536	321,931

15. Bank loans

As at 31 December 2023, the Group's available banking facilities amounted to $3,308,374,000 (2022: $2,850,332,000), of which $1,164,667,000 (2022: $1,228,182,000) was utilised with drawdowns amounted to $733,608,000 (2022: $913,486,000). Certain portion of the banking facilities was secured by deposits. The banking facilities include $761,415,000 (2022: $408,618,000) which were secured by mortgages over land and buildings with an aggregate carrying value of $488,717,000 (2022: $357,539,000). Part of the unsecured bank loans amounted to $270,000,000 (31 December 2022: $650,000,000) were provided in the facility agreements that the Company undertakes to the banks that it shall remain ultimately majority-owned (directly and/or indirectly) by Guangdong Holdings Limited and remain majority-owned (directly and/or indirectly) by GDH Limited. If the Company fails to perform any of its obligations under the facility agreements, then the lenders were entitled to request immediate repayment of these outstanding loans and all accrued interests.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2023, none of the covenants of the facilities had been breached.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2023.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2023 have been reviewed by the Company's Audit Committee.

Purchase, Sale and Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Annual General Meeting

The 2024 Annual General Meeting of the Company ("AGM") will be held on Friday, 31 May 2024 at 11:00 a.m. For the purpose of determining shareholders' eligibility to attend and vote at the AGM,the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, 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 Monday, 27 May 2024.

Entitlement for Final Dividend

An interim dividend of HK 1.0 cent (2022: HK 1.0 cent) per share was paid on 25 October 2023. The Board recommends the payment of a final dividend of HK 2.0 cents (2022: HK 2.0 cents) per share for the year ended 31 December 2023. The proposed final dividend, if approved at the AGM, is expected to be paid on Friday, 19 July 2024 to the shareholders whose names appear on the register of members of the Company on Friday, 28 June 2024.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2023, the register of members will be closed from Wednesday, 26 June 2024 to Friday, 28 June 2024 (both days inclusive) and no transfers of shares will be registered on that period. In order to qualify for the proposed final 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 the address as set out above not later than 4:30 p.m. on Tuesday, 25 June 2024.

Publication of Annual Results Announcement and Annual Report

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

By order of the Board
Chen Benguang
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board is composed of three executive Directors, namely Mr. Chen Benguang, Mr. Yang Zhe and Mr. Chau Wang Kei; one non-executive Director, namely Mr. Wang Longhai; and three independent non-executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.