GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1203)

ANNOUNCEMENT
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007
AND INTERIM DIVIDEND FOR 2007

- Turnover of the Group for the six months ended 30 June 2007 was HK$688,733,000, representing an increase of HK$65,952,000 or 10.6% as compared to the corresponding period last year.
- Profit attributable to equity shareholders of the Company was HK$118,207,000, representing an increase of HK$59,583,000 or 101.6% as compared to the corresponding period last year. Disregarding factors such as net valuation gains on investment properties and non-operating income, profit from operations was HK$59,106,000, representing a 7.0% increase as compared with the corresponding period last year.
- Basic earnings per share is HK13.09 cents (six months ended 30 June 2006 : HK6.50 cents)
- The Board declares the payment of an interim dividend of HK2.0 cents per share (six months ended 30 June 2006 : HK1.5 cents)

The board of directors (the ‘‘Board”) of Guangnan (Holdings) Limited (the ‘Company’’), is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the ‘Group’’) for the six months ended 30 June 2007 together with comparative figures. The results have been reviewed by the Company’s auditors, KPMG and the Company’s audit committee.

INTERIM RESULTS

Consolidated income statement
for the six months ended 30 June 2007 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	***2007***	2006
		$'000	$'000
Turnover	2	**688,733**	622,781
Cost of sales		**(600,350)**	(541,695)
Gross profit		**88,383**	81,086
Other revenue	3	**9,605**	6,532
Other net income	4	**3,366**	8,585
Distribution costs		**(12,260)**	(10,913)
Administrative expenses		**(24,418)**	(23,538)
Other operating expenses		**(5,570)**	(6,500)
Profit from operations		**59,106**	55,252
Non-operating income	5	**40,021**	-
Net valuation gains on investment properties		**12,791**	5,867
Finance costs	6(a)	**(4,097)**	(1,436)
Share of profits less losses of associates		**13,463**	11,762
Profit before taxation	6	**121,284**	71,445
Income tax	7	**(3,400)**	(10,409)
Profit for the period		**117,884**	61,036
		========	========
Attributable to:			
Equity shareholders of the Company		**118,207**	58,624
Minority interests		**(323)**	2,412
Profit for the period		**117,884**	61,036
		========	========
Earnings per share			
- Basic	8(a)	**13.09 cents**	6.50 cents
		========	========
- Diluted	8(b)	**13.06 cents**	6.50 cents
		========	========
Interim dividend per share	9	**2.0 cents**	1.5 cents
		========	========

Consolidated balance sheet at 30 June 2007 - unaudited

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2007* $'000	At 31 December 2006 $'000
Non-current assets			
Fixed assets			
- Investment properties		**253,052**	235,651
- Other property, plant and equipment		**689,300**	512,275
- Interest in leasehold land held for own use under operating leases		**104,035**	57,855
	10	**1,046,387**	805,781
Interest in associates		**184,521**	182,434
		1,230,908	988,215
Current assets			
Trading securities		**4,894**	3,153
Inventories	11	**195,898**	115,478
Trade and other receivables	12	**346,760**	274,706
Cash and cash equivalents	13	**166,895**	157,737
		714,447	551,074
Current liabilities			
Bank loans secured by bills receivable		**227,209**	81,557
Trade and other payables	14	**392,392**	306,377
Current taxation		**18,996**	18,757
		638,597	406,691
Net current assets		**75,850**	144,383
Total assets less current liabilities		**1,306,758**	1,132,598
Non-current liability			
Deferred tax liabilities		**19,637**	21,687
Net assets		**1,287,121**	1,110,911
Capital and reserves			
Share capital		**451,952**	450,792
Reserves		**754,893**	622,477
Total equity attributable to equity shareholders of the Company		**1,206,845**	1,073,269
Minority interests		**80,276**	37,642
Total equity		**1,287,121**	1,110,911

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars)

1. Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

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

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and by the auditors, 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.

2. Segmental information

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents the sales value of goods supplied to customers and rental income. Analysis of the principal activities of the Group during the period is as follows:

Business segments

	For the period ended 30 June 2007					
	Tinplating $'000	**Foodstuffs distribution and trading $'000**	**Property leasing $'000**	**Inter-segment elimination $'000**	**Unallocated $'000**	**Consolidated $'000**
Revenue from external customers	**619,034**	**56,390**	**13,309**	**-**	**-**	**688,733**
Inter-segment revenue	**-**	**-**	**119**	**(119)**	**-**	**-**
Other revenue from external customers	**7,439**	**625**	**38**	**-**	**4,869**	**12,971**
Total	**626,473**	**57,015**	**13,466**	**(119)**	**4,869**	**701,704**
Segment result	**44,865**	**11,491**	**9,060**	**-**	**-**	**65,416**
Unallocated operating income and expenses						**(6,310)**
Profit from operations						**59,106**

	For the period ended 30 June 2006					
	Tinplating $'000	Foodstuffs *distribution and trading* $'000	*Property leasing* $'000	Inter- *segment elimination* $'000	*Unallocated* $'000	*Consolidated* $'000
Revenue from external customers	569,047	42,149	11,585	-	-	622,781
Inter-segment revenue	1,038	115	71	(1,224)	-	-
Other revenue from external customers	-	-	-	-	13,460	13,460
Total	570,085	42,264	11,656	(1,224)	13,460	636,241
Segment result	35,661	8,381	8,159	-	-	52,201
Unallocated operating income and expenses						3,051
Profit from operations						55,252

Note : The directors consider that change in fair value on investment properties does not constitute part of the Group's operating performance. As a result, net valuation gains or losses on investment properties are not included in profit from operations.

3. Other revenue

	Six months ended 30 June	
	2007	2006
	$'000	$'000
Sales of scrap materials	**6,467**	1,378
Interest income	**1,485**	1,657
Management income	**199**	207
Dividends from listed securities	**118**	118
Subsidy received	**354**	966
Others	**982**	2,206
	9,605	6,532

4. Other net income

	Six months ended 30 June	
	2007	2006
	$'000	$'000
Net realised and unrealised gain on trading securities	**1,741**	-
Write-back of long-outstanding payables	**-**	3,444
Recovery of bad debts	**-**	1,034
Exchange gain	**1,625**	4,109
Others	**-**	(2)
	3,366	8,585
	=======	=======

5. Non-operating income

	Six months ended 30 June	
	2007	2006
	$'000	$'000
Gain on acquisition of minority interests in subsidiaries and dividend payable to the related minority shareholder	**40,021**	-
	=======	=======

During the period, the Group acquired from the minority shareholder the 5% equity interest and dividend payable in each of Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongshan Shan Hai Industrial Co., Ltd. ("Shanhai") for a total consideration of US$499,000 (equivalent to $3,890,000). Following the acquisition, Zhongyue Tinplate and Shanhai became wholly-owned subsidiaries of the Group. The gain represents the difference between the consideration paid and the minority interests and dividend payable acquired. Both the Group and the minority shareholder are state-controlled entities.

6. Profit before taxation

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

	Note	*Six months ended 30 June*	
		2007	2006
		$'000	$'000
(a) Finance costs:			
Interest on bank borrowings (discounted bills)		**4,097**	1,436
		=======	=======
(b) Staff costs:			
Net contributions paid to defined contribution plans		**2,174**	1,123
Salaries, wages and other benefits		**20,214**	12,874
Equity-settled share-based payment expenses		**-**	4,866
		22,388	18,863
		=======	=======

	Note	*Six months ended 30 June* *2007*	2006
		$’000	$’000
(c) Other items:			
Amortisation of land lease premium		**895**	888
Depreciation	*(i)*	**16,126**	5,450
Dividend income from trading securities		**(118)**	(118)
Operating lease charges in respect of properties		**448**	473
Share of associates’ taxation	*(ii)*	**1,857**	3,414
Rentals receivable from investment properties less direct outgoings of $1,071,000 (30 June 2006: $748,000)		**(12,238)**	(10,837)
		=======	=======

Notes:

(i) The increase in depreciation compared to the previous period is mainly due to the commencement of operation of the black-plate manufacturing plant.

(ii) Income tax for associates established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents :

	Note	*Six months ended 30 June* *2007*	2006
		$’000	$’000
Current tax – Provision for Hong Kong Profits tax			
Provision for Hong Kong Profits Tax at 17.5% on the estimated assessable profits for the period		**131**	1,038
Current tax – PRC			
Tax for the period		**6,042**	6,827
Deferred tax			
Origination and reversal of temporary differences		**2,584**	2,544
Effect of change in tax rate in the PRC	*(ii)*	**(5,357)**	-
		(2,773)	2,544
	(i)	**3,400**	10,409
		=======	=======

Notes:

(i) Income tax for subsidiaries established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

(ii) This represents the financial effect of the change in tax rate on the deferred tax liabilities of the Group as a result of the Corporate Income Tax Law of the PRC passed on 16 March 2007.

8. 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 $118,207,000 (30 June 2006: $58,624,000) and the weighted average number of 903,335,329 (30 June 2006: 901,583,285) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $118,207,000 (30 June 2006: $58,624,000) and the weighted average number of ordinary shares of 905,280,749 (30 June 2006: 901,725,417) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

9. Dividends

(a) Dividends attributable to the period

	Six months ended 30 June	
	2007	2006
	$'000	$'000
Interim dividend declared and paid after the period of 2.0 cents per ordinary share (30 June 2006: 1.5 cents per ordinary share)	**18,078**	13,524
	=======	=======

The interim dividend has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2007	2006
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the period of 2.0 cents per ordinary share (30 June 2006: 1.5 cent per ordinary share)	**18,072**	13,524
	=======	=======

10. Fixed Assets

(a) Acquisitions

During the six months ended 30 June 2007, the Group acquired items of property, plant and equipment with a total cost of $236,314,000 (30 June 2006: $155,672,000), of which $224,315,000 were acquired by a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. ("Zhongyue Posco"). Zhongyue Posco, a foreign joint venture limited company, was incorporated on 16 February 2007 in accordance with the PRC law and is owned as to 66% by the Group and the remaining 34% by POSCO Co., Ltd. and POSCO-China Holding Corporation. It has a total registered capital of US$30,000,000 (equivalent to $234,000,000). Construction of the production facilities is in progress and the subsidiary will principally be engaged in the production and sale of tinplate products.

(b) Valuation of investment properties

Investment properties situated in Hong Kong carried at fair value were revalued on an open market value basis at 30 June 2007 by an independent firm of surveyors, RHL Appraisal Limited, who have among their staff Members of Hong Kong Institute of Surveyors. Investment properties situated in mainland China carried at fair value were revalued by an independent firm of valuers in the PRC, 廣東財興資產評估土地房地產估價有限公司, on an open market value basis. Based on the valuation, a net gain of $12,791,000 (30 June 2006: $5,867,000), and deferred tax thereon of $2,640,000 (30 June 2006: $1,738,000), have been included in the consolidated income statement.

(c) Leases

The Group leases out investment properties under operating leases. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases was $253,052,000 (31 December 2006: $235,651,000).

11. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2007	At 31 December 2006
	$'000	$'000
Raw materials, spare parts and consumables	**96,224**	65,948
Work in progress	**23,904**	-
Finished goods	**75,770**	49,530
	195,898	115,478
	=======	=========

12. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of provision for bad and doubtful debts), based on the invoice date, with the following ageing analysis:

	At 30 June 2007	At 31 December 2006
	$'000	$'000
Within 1 month	**108,985**	149,105
1 to 3 months	**145,690**	92,386
More than 3 months but less than 1 year	**48,741**	6,779
More than 1 year but less than 2 years	**129**	-
	303,545	248,270

The Group grants credit periods ranging from advance payment to not more than 180 days (31 December 2006: 180 days).

13. Cash and cash equivalents

Analysis of the balances of cash and cash equivalents is set out below:

	At 30 June 2007	At 31 December 2006
	$'000	$'000
Deposits with banks	**97,149**	37,477
Cash at bank and in hand	**69,746**	120,260
	166,895	157,737

Included in cash and cash equivalents is a balance of RMB102,368,000 (31 December 2006: RMB44,410,000).

14. Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2007	At 31 December 2006
	$'000	$'000
Due within 1 month or on demand	**148,587**	103,837

15. Commitments

(a) ***Capital commitments outstanding at 30 June 2007 not provided for in the interim financial report were as follows:***

	At 30 June 2007	At 31 December 2006
	$'000	$'000
Contracted for	**94,721**	3,463
Authorised but not contracted for	**71,610**	9,748
	166,331	13,211
	=======	=========

(b) ***At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:***

	At 30 June 2007	At 31 December 2006
	$'000	$'000
Within 1 year	**332**	637
After 1 year but within 5 years	**125**	145
	457	782
	=======	=========

(c) At 30 June 2007, the Company is committed to provide finance of $6,489,000 (31 December 2006: $6,489,000) to an associate of the Group.

RESULTS

For the first half of 2007, the Group's unaudited consolidated profit attributable to equity shareholders of the Company was HK$118,207,000, representing an increase of 101.6%, compared with HK$58,624,000 of the corresponding period last year. Basic earnings per share was HK13.09 cents, an increase of 101.4% from HK6.50 cents of the corresponding period last year.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend for the six months ended 30 June 2007 of HK2.0 cents per share (six months ended 30 June 2006: HK1.5 cents per share).

BUSINESS REVIEW

During the period under review, consolidated turnover was HK$688,733,000, representing an increase of HK$65,952,000, or 10.6%, from HK$622,781,000 of the corresponding period last year. Such increase was mainly attributable to the growth in the tinplating business. In the first half of the year, apart from actively tapping into the current production potential of tinplating to satisfy market needs, the Group also shifted more focus on its black-plate manufacturing plant and Qinhuangdao tinplating plant projects, For the black-plate manufacturing plant project, we strived to achieve the planned production capacity during the year on the basis of steady improvement in product quality; for the Qinhuangdao tinplating plant project, we strived to fulfill its strategy of "formulate, design, construct, install and commence production all in one year". Both projects are targeted at obtaining expected results next year.

Tinplating

During the first half of 2007, the tinplate production and sales volume of Zhongshan Zhongyue Tinplate Industrial Co., Ltd (''Zhongyue Tinplate''), a subsidiary of the Group, were 87,485 tonnes and 88,774 tonnes, an increase of 4.8% and 0.1% respectively when compared with the corresponding period last year. Turnover was HK$619,034,000, representing an increase of 8.8% comparing to the same period last year. Operating profit was HK$44,865,000, an increase of HK$9,204,000, or 25.8% comparing to the same period last year. The tinplating business made the greatest profit contribution to the Group, with its turnover and operating profit accounting for 89.9% and 75.9% of the Group's turnover and operating profit respectively.

At the beginning of the year, the Group completed the acquisition of 5% interests in Zhongyue Tinplate from the PRC minority shareholder. Zhongyue Tinplate is now a wholly-owned subsidiary of the Group. There is ample room for further development and operations for Zhongyue Tinplate in the future.

The Group established a joint-venture, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd ("Zhongyue Posco"), with POSCO Co. Ltd. ("POSCO") , a steel enterprise with the fifth largest global steel output, on 16 February this year. The Group holds 66% interests of the new company while the remaining 34% is held by POSCO. The planned production capacity of tinplates is 250,000 tonnes per annum; construction for the project has been progressing well and is expected to commence production by the end of the year.

The black-plate manufacturing plant located in Zhongshan commenced production in the end of March this year, with the concerted efforts of our technical staff and production staff, gradually enhancing both quality and quantity of the products, providing favourable conditions to lower product costs and enter the diversified tinplating market comprehensively.

Property Leasing

The Group's leasing properties include the plant and staff dormitory of Zhongshan Shan Hai Industrial Co., Ltd. (''Shanhai''), and the office building in Hong Kong. In the first half of 2007, the total turnover of leasing properties of the Group was HK$13,309,000, an increase of 14.9% compared with the same period last year. Profit from operations of leasing properties was HK$9,060,000, representing an increase of 11.0% as compared with the same period last year.

At the beginning of the year, the Group completed the acquisition of 5% interests in Shanhai from the PRC minority shareholder. Shanhai is now a wholly-owned subsidiary of the Group.

Foodstuffs Distribution and Trading

During the first half of 2007, turnover of the foodstuffs distribution and trading business amounted to HK$56,390,000, representing an increase of HK$14,241,000 or 33.8% as compared with the same period last year, which was attributable to the fact that impact of bird flu no longer exists and the increase in provisional quotas of livestock distribution. For the first six months of this year, the foodstuffs distribution and trading business realised an operating profit of HK$11,491,000, an increase of HK$3,110,000 or 37.1% from the same period last year.

On 20 July 2007, the government of HKSAR announced that it has reached agreement with the Ministry of Commerce of the PRC, pursuant to which the government of HKSAR has agreed to admit Guangnan Hong Company Limited as the second Hong Kong-based distributor to import live pigs from the Mainland China. The Group is currently undergoing negotiations with governmental authorities of Hong Kong and China and related parties, so as to roll out the related new business as soon as possible.

Associates

During the first half of 2007, Yellow Dragon Food Industry Co., Limited (''Yellow Dragon''), a major associate of the Group, recorded a sales volume of 188,987 tonnes of corn starch, its major products, representing a decrease of 6.5% as compared with the same period last year. Turnover of Yellow Dragon amounted to HK$604,077,000, a growth of 12.6% as compared with the same period last year while profit attributable to shareholders amounted to HK$34,040,000, an increase of HK$4,092,000 or 13.7%.

The Group owns 40% interest in Yellow Dragon and received a total dividend payment (in respect of the financial year 2006) of RMB16,793,000 (equivalent to HK$17,054,000) in the first half of 2007.

FINANCIAL POSITION

As at 30 June 2007, the Group's total assets amounted to HK$1,945,355,000, and total liabilities stood at HK$658,234,000, representing an increase of HK$406,066,000 and HK$229,856,000 respectively compared with the positions at the end of last year. Net current assets decreased from HK$144,383,000 at the end of last year to HK$75,850,000, and current ratio (current assets divided by current liabilities) decreased from 1.36 as at the end of last year to 1.12. The Group maintains a healthy financial position.

Liquidity and Financial Resources

As at 30 June 2007, the Group's cash and cash equivalent balances amounted to HK$166,895,000, representing an increase of 5.8% from the end of last year, of which an amount equivalent to HK$105,061,000 was denominated in Renminbi and the remaining amounts were denominated in Hong Kong dollars and US dollars.

As at 30 June 2007, the Group's interest-bearing borrowings amounted to HK$227,209,000. Accordingly, the Group's gearing ratio, measured by the Group's total interest-bearing borrowings over shareholders' fund, was 18.8%. The Group's interest-bearing borrowings will be repaid at maturity with proceeds from bills discounted to the banks, and carry interests at annual rates (or discounted rates) ranging from 2.97% to 4.5%.

As at 30 June 2007, the Group's total available banking facilities amounted to HK$257,400,000, HK$182,491,000 of which was issued with letters of credit, and HK$74,909,000 was unutilised banking facilities while discounting bills as mentioned above did not use up any banking facilities. With its cash and cash equivalents on hand, the recurring cash flows from its operations and banking facilities, the Group believes that it will have sufficient funds to meet its present operation requirements and to further develop its businesses in the foreseeable future.

Litigation

In 2004, a claim was filed against a subsidiary of the Group alleging that the subsidiary had not repaid its outstanding amount due to the defendant. The legal dispute was heard in the Intermediate People's Court of Yue Yang City, Hunan which delivered a judgement in favour of the Group in January 2005. On 29 December 2006, the defendant filed a new claim against the subsidiary with the Intermediate People's Court of Zhongshan City. The amount of claim, together with damages arising from breach of contract was RMB5,788,000 (approximately HK$5,940,000). According to information currently available, the Group is of the view that no provision is required to be made for this claim.

Exchange Rate Exposure

The Group's assets, liabilities and transactions are primarily denominated in Hong Kong dollars, US dollars or Renminbi. As the exchange rates of these currencies were relatively stable during the period, the Group was not exposed to significant exchange risk. Foreign exchange gain for the period was HK$1,625,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had a total of 804 full-time employees, increased by 81 compared with that as of the end of 2006. Among them, 21 were based in Hong Kong and 783 were based in the Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance with reference to the prevailing industry practices. In 2007, the Group continued to implement control on the headcount, organization structure and payroll of each subsidiary, and the management continued to implement effective performance bonus incentive scheme. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on the basis of net cash inflow from operation and profit after taxation. In addition, bonus will be distributed to the management, key personnel and outstanding staff according to the assessment results of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Company has also adopted a share option scheme to reward, attract, retain and motivate excellent and talented participants for their contributions to the Group.

PROSPECTS

Adjustments in the global industry and growth in domestic demand are introducing new business opportunities to the tinplating business in the Mainland China. The Group will aggressively capture such a rare chance to fully leverage on the favourable conditions brought about by the gradual completion of the integration of black-plate manufacturing plant and the commencement of production of the Qinhuangdao tinplating plant. We target to complete the strategic deployment of these two major tinplating production bases in the north and south respectively as soon as possible, so as to achieve an annual production capacity of 500,000 tonnes in the shortest time possible, and to optimize its tinplating product structure and upgrade its product quality. These measures are aimed at satisfying the increasing demand in the diversified tinplating product market, to fully prepare itself in anticipation of the Beijing Olympic Games in 2008.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (‘‘CG Code’’) as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) throughout the six months ended 30 June 2007, with the exception that certain non-executive directors are not appointed for specific terms as non-executive directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Articles of Association.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“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 2007.

Audit Committee

The Company established an audit committee ("Audit Committee") in 1999 and its terms of reference are in line with the CG Code. The Audit Committee comprises the three independent non-executive directors, Mr. Gerard Joseph McMahon (chairman of the Audit Committee), Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company's financial reports and the Group's internal controls and risk management systems.

The Audit Committee holds regular meetings and it met three times during the six months ended 30 June 2007.

Compensation Committee

The Company established a compensation committee ("Compensation Committee") in 1999 and its terms of reference are in line with the CG Code. The Compensation Committee comprises the chairman of the Board, Mr. Liang Jiang, executive director and general manager, Mr. Tan Yunbiao, and the three independent non-executive directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar (chairman of the Compensation Committee). The principal duties of the Compensation Committee include, inter alia, making recommendations to the Board relating to the Company's policy for directors' and senior management's remuneration, determining the executive directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss of offices.

During the six months ended 30 June 2007, a meeting was held by the Compensation Committee to explore into relevant issues.

Nomination Committee

The Company established a nomination committee ("Nomination Committee") in June 2005. The Nomination Committee comprises the chairman of the Board, Mr. Liang Jiang who is also chairman of the Nomination Committee, and the three independent non-executive directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The principal duties of the Nomination Committee include, inter alia, identifying suitable and qualified individuals to become board member and making recommendation on appointment and reappointment of directors.

During the six months ended 30 June 2007, a meeting was held by the Nomination Committee to explore into relevant issues.

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 2007. In addition, the Company's external auditors, KPMG, have also reviewed the aforesaid unaudited interim financial report.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2007, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK2.0 cents per share (six months ended 30 June 2006 : HK1.5 cents per share) for the six months ended 30 June 2007. The interim dividend will be paid on 31 October 2007 to the shareholders whose names appear on the Register of Members on 17 October 2007.

Closure of Register of Members

The Register of Members will be closed on 16 October 2007 and 17 October 2007, during these two days no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 October 2007.

Publication of Interim Results and Interim Report

This interim results announcement is published on the websites of the Company (www.gdguangnan.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The interim report of the Company for 2007 containing all the information required under the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the Board
Liang Jiang
Chairman

Hong Kong, 18 September 2007

As at the date of this announcement, the Board is composed of three executive directors, namely Messrs. Liang Jiang, Tan Yunbiao and Tsang Hon Nam, four non-executive directors, namely Messrs. Zhao Leili, Luo Fanyu and Dong Decai and Miss Hou Zhuobing, and three independent non-executive directors, namely Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.