GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1203)

ANNOUNCEMENT OF 2007 ANNUAL RESULTS

- Turnover of the Group for 2007 was HK$1,593,460,000, representing an increase of HK$372,206,000 or 30.5% as compared to 2006.
- The profit attributable to equity shareholders of the Company was HK$183,809,000, representing a 51.5% increase as compared to 2006.
- Basic earnings per share is HK 20.3 cents (2006 : HK 13.5 cents).
- The Directors recommend the payment of a final dividend of HK 2.0 cents per share for the year ended 31 December 2007 (2006 : HK 2.0 cents).

RESULTS

The board of directors (the "Directors") of Guangnan (Holdings) Limited (the "Company"), is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, which have been reviewed by the Company's Audit Committee.

Consolidated Income Statement
For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	*2007* $'000	*2006* $'000
Turnover	3	**1,593,460**	1,221,254
Cost of sales		**(1,415,997)**	(1,057,781)
Gross profit		**177,463**	163,473
Other revenue	4	**12,529**	9,906
Other net income	5	**12,623**	14,327
Distribution costs		**(29,836)**	(19,914)
Administrative expenses		**(59,812)**	(47,056)
Other operating expenses		**(3,083)**	(9,942)
Profit from operations		**109,884**	110,794
Non-operating income	6	**40,021**	-
Valuation gains on investment properties		**16,075**	23,123
Finance costs	7(a)	**(11,927)**	(2,906)
Share of profits less losses of associates		**20,390**	19,259
Profit before taxation	7	**174,443**	150,270
Income tax	8	**7,435**	(23,476)
Profit for the year		**181,878**	126,794
Attributable to:			
Equity shareholders of the Company		**183,809**	121,320
Minority interests		**(1,931)**	5,474
Profit for the year		**181,878**	126,794
Dividends payable to equity shareholders of the Company attributable to the year:	9		
Interim dividend declared during the year		**18,108**	13,524
Final dividend proposed after the balance sheet date		**18,112**	18,032
		36,220	31,556
Earnings per share	10		
Basic		**20.3 cents**	13.5 cents
Diluted		**20.3 cents**	13.5 cents

Consolidated Balance Sheet at 31 December 2007

(Expressed in Hong Kong dollars)

	Note	*2007* **$'000**	*2006* $'000
Non-current assets			
Fixed assets			
- Investment properties	11(b)	**264,224**	235,651
- Other property, plant and equipment		**858,560**	512,275
- Interest in leasehold land held for own use under operating leases		**107,100**	57,855
	11	**1,229,884**	805,781
Interest in associates		**199,010**	182,434
		1,428,894	988,215
Current assets			
Trading securities		**6,399**	3,153
Inventories	12	**321,343**	115,478
Trade and other receivables, deposits and prepayments	13	**453,488**	274,706
Current taxation recoverable		**456**	320
Cash and cash equivalents	14	**147,009**	157,737
		928,695	551,394
Current liabilities			
Trade and other payables	15	**401,731**	306,377
Bank loans	16 (a)	**423,336**	81,557
Loan from immediate holding company	16 (b)	**21,216**	-
Current taxation payable		**19,934**	19,077
		866,217	407,011
Net current assets		**62,478**	144,383
Total assets less current liabilities		**1,491,372**	1,132,598
Non-current liabilities			
Bank loans	16 (a)	**80,092**	-
Deferred tax liabilities		**22,033**	21,687
		102,125	21,687
Net assets		**1,389,247**	1,110,911
Capital and reserves			
Share capital		**452,802**	450,792
Reserves		**848,702**	622,477
Total equity attributable to equity shareholders of the Company		**1,301,504**	1,073,269
Minority interests		**87,743**	37,642
Total equity		**1,389,247**	1,110,911

Notes to the financial report

(Expressed in Hong Kong dollars)

1. Basis of preparation

This financial report has 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 accounting principles generally accepted in Hong Kong. This financial report also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Except as disclosed in Note 2, this financial report has been prepared on a basis consistent with the accounting policies and methods adopted in the 2006 annual financial statements. The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31 December 2007, but is derived from these financial statements.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in this financial report for the years ended 31 December 2007 and 2006 as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures. Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

3. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Tinplating	:	Production and sales of tinplate and related products which are used as packaging materials for the food processing manufacturers
Foodstuffs distribution and trading	:	Distribution, purchase and sale of foodstuffs
Property leasing	:	Leasing of properties to generate rental income

	For the year ended 31 December 2007					
	Tinplating	**Foodstuffs distribution and trading**	**Property leasing**	**Inter-segment elimination**	**Unallocated**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from external customers	**1,450,125**	**117,157**	**26,178**	**-**	**-**	**1,593,460**
Inter-segment revenue	**-**	**-**	**216**	**(216)**	**-**	**-**
Other revenue from external customers	**8,501**	**1,217**	**46**	**-**	**15,129**	**24,893**
Total	**1,458,626**	**118,374**	**26,440**	**(216)**	**15,129**	**1,618,353**
Segment result	**76,449**	**21,213**	**16,764**			**114,426**
Unallocated operating income and expenses						**(4,542)**
Profit from operations						**109,884**
Non-operating income						**40,021**
Share of profits less losses of associates	**-**	**-**	**-**	**-**	**20,390**	**20,390**
Valuation gains on investment properties	**-**	**-**	**16,075**	**-**	**-**	**16,075**
Finance costs						**(11,927)**
Income tax						**7,435**
Profit after taxation						**181,878**
Depreciation and amortisation for the year	**42,183**	**88**	**1,677**			
Impairment losses made for the year	**-**	**104**	**49**			

3. Segment information (continued)

Business segments (continued)

	For the year ended 31 December 2006					
	Tinplating $'000	Foodstuffs distribution and trading $'000	Property leasing $'000	Inter-segment elimination $'000	Unallocated $'000	Consolidated $'000
Revenue from external customers	1,108,939	86,858	25,457	-	-	1,221,254
Inter-segment revenue	1,991	-	169	(2,160)	-	-
Other revenue from external customers	4,463	1,812	28	-	17,695	23,998
Total	1,115,393	88,670	25,654	(2,160)	17,695	1,245,252
Segment result	81,797	16,648	16,662			115,107
Unallocated operating income and expenses						(4,313)
Profit from operations						110,794
Share of profits less losses of associates	-	-	-	-	19,259	19,259
Valuation gains on investment properties	-	-	23,123	-	-	23,123
Finance costs						(2,906)
Income tax						(23,476)
Profit after taxation						126,794
Depreciation and amortisation for the year	16,469	104	1,605			
Impairment losses made/ (written-back) for the year	9,346	(1,185)	-			

	2007			
	Tinplating $'000	**Foodstuffs distribution and trading $'000**	**Property leasing $'000**	**Consolidated $'000**
Segment assets	**1,788,919**	**63,029**	**296,760**	**2,148,708**
Interest in associates				**199,010**
Unallocated assets				**9,871**
Total assets				**2,357,589**
Segment liabilities	**318,442**	**51,184**	**6,415**	**376,041**
Unallocated liabilities				**592,301**
Total liabilities				**968,342**
Capital expenditure incurred during the year	**412,832**	**991**	**1,473**	

3. Segment information (continued)

Business segments (continued)

	2006			
	Tinplating $'000	Foodstuffs distribution and trading $'000	Property leasing $'000	Consolidated $'000
Segment assets	1,017,617	59,892	263,986	1,341,495
Interest in associates				182,434
Unallocated assets				15,680
Total assets				1,539,609
Segment liabilities	230,068	40,539	5,749	276,356
Unallocated liabilities				152,342
Total liabilities				428,698
Capital expenditure incurred during the year	366,576	186	2,212	

Geographical segments

The Group's business participates in two principal economic environments. Hong Kong is the major market for foodstuffs distribution and trading, whereas the People's Republic of China other than Hong Kong (the "PRC") is a major market for most of the Group's other businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	The PRC		*Hong Kong*		*Other countries*	
	2007 **$'000**	2006 $'000	***2007*** **$'000**	2006 $'000	***2007*** **$'000**	2006 $'000
Revenue from external customers	**1,344,659**	1,132,337	**119,826**	88,917	**128,975**	-
Segment assets	**1,974,489**	1,172,526	**174,219**	168,969	**-**	-
Capital expenditure incurred during the year	**414,437**	368,782	**859**	192	**-**	-

4. Other revenue

	2007	*2006*
	$'000	$'000
Sales of scrap materials	**6,217**	2,500
Interest income	**3,052**	3,359
Management income	**199**	228
Dividends from listed securities	**259**	235
Subsidies received	**770**	1,033
Others	**2,032**	2,551
	12,529	9,906

5. Other net income

	2007	*2006*
	$'000	$'000
Net gain on disposal of fixed assets	**156**	512
Net realised and unrealised gain on trading securities	**3,246**	94
Write back of impairment losses on trade receivables	**90**	2,013
Write back of long-outstanding payables	**-**	4,198
Impairment losses on other non-current financial assets	**-**	(46)
Net loss on forward foreign exchange contracts	**(332)**	-
Net realised and unrealised exchange gain	**9,463**	7,556
	12,623	14,327

6. Non-operating income

	2007	2006
	$'000	$'000
Gain on acquisition of minority interests in subsidiaries and dividends payable to the related minority shareholder	**40,021**	-

During the year, the Group acquired from the minority shareholder the 5% equity interest in each of Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") and Zhongshan Shan Hai Industrial Co., Ltd. ("Shanhai") together with the dividends payable by Zhongyue Tinplate and Shanhai to the minority shareholder 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 excess of the consideration paid over the carrying value of the minority interests acquired and dividends payable transferred to the Group. Both the Group and the minority shareholder are state-controlled entities in the PRC.

7. Profit before taxation

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

	2007	*2006*
	$'000	$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	**12,464**	2,906
Interest on loan from immediate holding company	**520**	-
	12,984	2,906
Less : interest expense capitalised into construction in progress (Note)	**(1,057)**	-
	11,927	2,906
	=======	=======
(b) Staff costs:		
Net contributions paid to defined contribution plans	**3,279**	1,341
Equity-settled share-based payment expenses	**-**	3,426
Salaries, wages and other benefits	**53,916**	38,939
	57,195	43,706
	=======	=======
(c) Other items:		
Cost of inventories sold	**1,412,982**	1,051,265
Auditors' remuneration	**3,218**	2,293
Depreciation	**41,667**	16,681
Amortisation of land lease premium	**2,517**	1,778
Impairment losses on fixed assets and inventories	**104**	9,346
Impairment losses on trade receivables	**49**	-
Operating lease charges in respect of property rentals	**1,538**	939
Rentals receivable from investment properties less direct outgoings of $2,444,000 (2006: $2,190,000)	**(23,734)**	(23,267)
	=======	=======

Note : The amount represents interest expense paid for a bank loan borrowed by a subsidiary of the Group specifically for the purpose of the construction of fixed assets.

8. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents :

	Note	2007 $'000	2006 $'000
Current tax – Provision for Hong Kong Profits tax			
Provision for Hong Kong Profits Tax at 17.5% (2006: 17.5%) on the estimated assessable profits for the year		**86**	650
Under-provision in respect of prior years		**102**	9
		188	659
Current tax – the PRC			
Tax for the year		**11,757**	13,941
Under-provision in respect of prior years		**-**	30
Tax refund for re-investment	*(ii)*	**(18,194)**	-
		(6,437)	13,971
Deferred tax			
Origination and reversal of temporary differences		**4,234**	8,846
Effect of change in tax rate in the PRC		**(5,420)**	-
		(1,186)	8,846
		(7,435)	23,476

Notes:

(i) The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. 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.

A subsidiary, Zhongyue Tinplate, is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years on its new production line beginning from 2006. According to the approval from the Tax Bureau of Zhongshan, the proportion of deemed profit from Zhongyue Tinplate's new production line is calculated based on the 40% of the overall taxable income of Zhongyue Tinplate. As a result, the effective tax rate of Zhongyue Tinplate for 2007 is 10.8% (2006: 10.8%).

(ii) The Group has successfully obtained a tax refund of PRC Enterprise Income Tax from the Tax Bureau of Zhongshan following the capitalisation of retained earnings of a subsidiary and the re-investment of dividends declared by two subsidiaries as capital contributions to other subsidiaries during the year.

8. Income tax in the consolidated income statement (continued)

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for certain PRC subsidiaries of the Group, which are eligible to relief from PRC Enterprise Income Tax, will be gradually changed to the standard rate of 25% over a five-year transition period.

The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 31 December 2007. As a result of the change of applicable tax rates, the net change in balance of deferred tax of $5,420,000 has been credited to profit or loss. The enactment of the new tax law has no financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

(iv) According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Dividends declared by the PRC subsidiaries to parent companies incorporated in Hong Kong are subject to a withholding tax of 5%.

In accordance with Caishui (2008) No.1 issued by State Tax Authorities, undistributed profits from the PRC subsidiaries up to 31 December 2007 will be exempted from withholding tax when they are distributed in future. As a result, no provision for withholding tax is made as at 31 December 2007.

9. Dividends

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

	2007	*2006*
	$'000	$'000
Interim dividend declared and paid of 2.0 cents per ordinary share (2006: 1.5 cents per ordinary share)	**18,108**	13,524
Final dividend proposed after the balance sheet date of 2.0 cents per ordinary share (2006: 2.0 cents per ordinary share)	**18,112**	18,032
	36,220	31,556

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year :

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

10. 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 $183,809,000 (2006 : $121,320,000) and the weighted average of 904,079,000 (2006 : 901,583,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	*2006*
	'000	'000
Issued ordinary shares at 1 January	**901,583**	901,583
Effect of share options exercised	**2,496**	-
Weighted average number of ordinary shares at 31 December	**904,079**	901,583

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to ordinary equity shareholders of the Company of $183,809,000 and the weighted average number of ordinary shares of 906,448,000, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007
	'000
Weighted average number of ordinary shares at 31 December	904,079
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	2,369
Weighted average number of ordinary shares (diluted) at 31 December	906,448

The diluted earnings per share for the year ended 31 December 2006 was the same as the basic earnings per share as the potential ordinary shares were anti-dilutive.

11. Fixed Assets

(a) ***Acquisitions and disposals***

During the year, the Group acquired items of property, plant and equipment with a total cost of $415,375,000 (2006: $369,377,000), of which $391,974,000 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). The subsidiary is principally engaged in the production and sale of tinplate products.

During the year, certain items of plant and machinery and motor vehicles with a net book value of $7,481,000 (2006: $5,875,000) were disposed of.

(b) ***Valuation of investment properties***

Investment properties of the Group situated in Hong Kong totalling $103,800,000 (2006: $98,200,000) were revalued at 31 December 2007 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their Staff Members of Hong Kong Institute of Surveyors, on an open market value basis. Investment properties of the Group situated in the PRC totalling $160,424,000 (2006: $137,451,000) were revalued at 31 December 2007 by an independent firm of surveyors registered in the PRC, 廣東財興資產評估土地房產估價有限公司, on an open market value basis.

(c) ***Leases***

The Group leases out investment properties under operating leases. The leases run for an initial period of one to twenty eight years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The carrying amount of investment properties of the Group held for use under operating leases was $264,224,000 (2006: $235,651,000).

(d) During the year, one of the Group's subsidiaries entered into an agreement with the Qinhuangdao Municipal Bureau of Land and Resources to acquire a land use right in the PRC for a cash consideration of RMB45,605,000 (equivalent to approximately $48,701,000). At 31 December 2007, the Group has made partial payment in accordance with the payment schedule. The formal title of the land use right in the PRC from the relevant government authorities can only be obtained after settlement of the final payment due on 30 May 2008.

12. Inventories

Inventories in the consolidated balance sheet comprise:

	2007	*2006*
	$'000	$'000
Raw materials, spare parts and consumables	**213,805**	65,948
Work in progress	**48,837**	-
Finished goods	**58,701**	49,530
	321,343	115,478
	=======	=======

13. Trade and other receivables, deposits and prepayments

Included in trade and other receivables, deposits and prepayments are trade debtors, bills receivable and trade balances due from a related company (net of allowance for bad and doubtful debts), based on invoice date, with the following ageing analysis:

	2007	*2006*
	$'000	$'000
Within 1 month	**131,793**	149,105
1 to 3 months	**158,685**	92,386
More than 3 months but less than 12 months	**95,279**	6,779
	385,757	248,270

The Group maintains a defined policy with credit periods ranging from advance payment to not more than 180 days.

14. Cash and cash equivalents

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

	2007	*2006*
	$'000	$'000
Deposits with banks	**63,394**	37,477
Cash at bank and in hand	**83,615**	120,260
Cash and cash equivalents in the consolidated balance sheet	**147,009**	157,737

15. Trade and other payables

Included in trade and other payables are trade creditors, bills payable and trade balances due to a related company with the following ageing analysis:

	2007	*2006*
	$'000	$'000
Due within 1 month or on demand	**225,451**	103,837

16. Interest-bearing borrowings

	Note	***2007***	*2006*
		$'000	$'000
(a) Bank loans			
- unsecured	(i)	**281,720**	-
- secured by bills receivable	(ii)	**168,988**	81,577
- secured by bank deposits	(iii)	**52,720**	-
		503,428	81,577

At 31 December 2007, the bank loans were repayable as follows:

	2007	*2006*
	$'000	$'000
Within 1 year or on demand	**423,336**	81,557
After 1 year but within 2 years	**-**	-
After 2 years but within 5 years	**80,092**	-
	80,092	-
	503,428	81,557

(i) Included in the unsecured bank loans are loans granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group with carrying amounts of $80,043,000 and $80,092,000 guaranteed by the minority shareholder and Zhongyue Tinplate, a subsidiary of the Group, respectively.

(ii) The loans are secured by bills receivable with carrying amounts of $168,988,000 (2006: $81,557,000).

(iii) The loans are secured by bank deposits of $50,571,000 (2006: $Nil).

	2007	*2006*
	$'000	$'000
(b) Loan from immediate holding company	**21,216**	-

The loan is unsecured, interest bearing at 3-month HIBOR + 0.35% per annum and repayable on 31 December 2008.

17. Subsequent events

(a) On 25 January 2008, a wholly-owned subsidiary of the Group, Zhongyue Industry Material Limited ("ZIML") entered into a facility agreement (the "Loan Agreement") for a term loan facility in the principal amount of up to $480,000,000; the arrangers and lenders for such loan facility are Industrial and Commercial Bank of China (Asia) Limited and The Hong Kong and Shanghai Banking Corporation Limited (collectively, the "Lenders").

The loan facility is granted to ZIML for the purpose of financing its general corporate financing requirements.

Under the loan agreement, the Company has agreed to provide a guarantee and the Group will provide the investment properties situated in Hong Kong as collateral in respect of the repayment obligation of ZIML. Under the Loan Agreement the loan shall be repaid by three equal instalments on the date falling 13 months, 24 months and 36 months, respectively from the date of the Loan Agreement. On 13 March 2008, the loan of $480,000,000 was fully drawn down.

It is provided in the Loan Agreement that if the immediate parent company, GDH Limited ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the Lenders are entitled to request immediate repayment of the outstanding loans and all accrued interest.

(b) On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of $25,000. In accordance with the Group's accounting policy, no adjustments have been made to this financial report as a result of this announcement.

The directors estimate that these proposed changes will result in the opening balances of the Group as at 1 January 2008 being remeasured as follows:

(i) current tax payable by the Group will decrease by $25,000; and

(ii) no significant effect on the Group's deferred tax liabilities.

These opening balance adjustments to current tax balance at 1 January 2008 will be recognised as a reduction in the Group's income tax expense of $25,000. It is impracticable to further estimate the impact on future financial statements of the change in tax rate.

18. Litigation

In May 2004, a PRC third party filed a claim against a subsidiary of the Group alleging that the subsidiary had not yet settled an outstanding amount due to it. The Intermediate People's Court of Yue Yang City ordered to freeze a bank deposit of the subsidiary in the amount of $4,700,000.

According to the judgement of the Intermediate People's Court of Yue Yang City issued on 12 December 2004, the subsidiary was ordered to pay compensation and court charges amounting to RMB4,934,000 and RMB40,000 respectively. The subsidiary lodged an appeal to the High People's Court of Hunan Province against the judgement and the judgement of the Intermediate People's Court of Yue Yang City was repudiated on 31 January 2005. Accordingly, the frozen bank deposit of $4,700,000 was released.

In 2006, the PRC third party filed a new claim of RMB5,788,000 to the Intermediate People's Court of Zhongshan City. The Court proceedings were held in July 2007. According to the decision of the Intermediate People's Court of Zhongshan City issued on 19 October 2007, the claim was denied and the subsidiary was not liable for any payment in respect of this claim.

No further action was taken by the PRC third party up to the date of issue of this financial report.

CHAIRMAN'S STATEMENT

I am pleased to report to the shareholders that the Group recorded satisfactory results in 2007. The consolidated profit attributable to equity shareholders of the Company was HK$183,809,000, representing an increase of 51.5% compared with HK$121,320,000 in 2006. The basic earnings per share were HK20.3 cents, representing an increase of 50.4% from HK13.5 cents in 2006.

DIVIDEND

The Directors recommend the payment of a final dividend of HK 2.0 cents per share for the year 2007. The final divided for 2007, subject to the approval by the shareholders of the Company at the annual general meeting, is expected to be paid on 30 June 2008.

REVIEW

In 2007, consolidated turnover was HK$1,593,460,000, a substantial increase of HK$372,206,000 or 30.5% from HK$1,221,254,000 in 2006. Such increase was primarily attributable to the growth of the tinplating business. The tinplating business recorded an increase in production and sales volume due to the sufficient supply of black-plates, leading to the surge in turnover of HK$341,186,000 or 30.8%.

In 2007, Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate") realised an annual production capacity of 200,000 tonnes and the production capacity utilisation rate reached 93.6% for the year, which broke the highest records of tinplating business in terms of its production volume since its operations commenced in 1990, compared with 83.5% for 2006.

Our tinplating business is in a high growth phase. Our black-plate manufacturing plant with an annual production capacity of 150,000 tonnes commenced production in March 2007, providing steady supply of black-plates, the major raw materials, for the production of tinplates. In addition, the new factory with annual production capacity of 250,000 tonnes of tinplates in Qinhuangdao City in Hebei Province, which was jointly-invested by the Group and POSCO Co. Ltd. ("POSCO"), an international renowned steel company, was completed and commenced production in February 2008, raising the production capacity of tinplates from 200,000 tonnes in 2007 to the current level of 450,000 tonnes, further enhancing our competitive strengths.

In July 2007, the Hong Kong SAR Government announced its agreement with the Ministry of Commerce of the PRC to recognize Guangnan Hong Company Limited as the second distributor for importing live pigs from mainland China. The relevant business was successfully embarked upon in December 2007, becoming a new source of growth for our foodstuffs distribution and trading business.

PROSPECTS

The rapid economic growth and strong market demand in mainland China are introducing excellent opportunities to the nation's tinplating business. With the integration of our black-plate manufacturing plant project and the Qinhuangdao project, the strategic deployment of the two major tinplating production bases in the northern and southern regions respectively, the successful extension of the chain of our tinplating business and the continual expansion of our production scale, the Group is seeing substantial enhancement in its consolidated strengths among all its primary business. Coupled with the healthy development with our business of distribution of live pigs, our operating results are expected to reach a higher rung of the ladder.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our investors for their strong support to the Group over the year, and to our management and staff members of the Group for their commitment and devotion to generating good results to the Group.

Liang Jiang
Chairman

Hong Kong, 16 April 2008

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Tinplating

In 2007, the production and sales volume of tinplates of Zhongshan Zhongyue Tinplate Industrial Co., Ltd. ("Zhongyue Tinplate"), a subsidiary of the Group, amounted to 187,186 tonnes and 197,623 tonnes, an increase of 13.5% and 15.4% respectively when compared with 2006. The turnover was HK$1,450,125,000, representing an increase of 30.8% when compared with 2006. Profit from operations was HK$76,449,000, a decrease of HK$5,348,000 or 6.5% when compared with 2006, which was primarily attributable to the low production volume of the black-plate manufacturing plant in its intial stage of operation during the first half of 2007. The contribution from the tinplating business to the Group's profit was the most significant. Its turnover accounted for 91.0% of the Group's turnover and its profit from operations accounted for 69.6% of the Group's profit from operations.

The black-plate manufacturing plant located in Zhongshan, with an annual production capacity of 150,000 tonnes, commenced production in late March 2007 providing steady supply of black-plates, the major raw materials for producing tinplates. The continual efforts of all the engineering and production technicians have remarkably enhanced the quality and volume of our products, providing favorable conditions to lower production costs and enter the niche market for tinplates on a fuller scale.

On 16 February 2007, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd ("Zhongyue Posco"), a joint venture company between the Group and POSCO Co. Ltd. ("POSCO"), a steel company ranked 4th in the world's steel production, was established as to 66% owned by us and 34% owned by POSCO, with a designed annual production capacity of 250,000 tonnes of tinplates. The project proceeded as scheduled and was completed and commenced production in February 2008. Both factories located in the northern and southern regions produce a total of 450,000 tonnes of tinplates and 150,000 tonnes of black-plates per annum.

At the beginning of 2007, the Group acquired 5% interest in Zhongyue Tinplate from the PRC shareholder. Zhongyue Tinplate became a wholly-owned subsidiary of the Group after the acquisition. There is ample room for further development and operations for Zhongyue Tinplate in the future.

Property Leasing

The Group's leasing properties mainly included the plant and staff dormitory of Zhongyue Shan Hai Industrial Co., Ltd. ("Shan Hai"), and the office building in Hong Kong. In 2007, the total turnover from property leasing business of the Group was recorded at HK$26,178,000, an increase of HK$721,000 as compared with 2006. The profit from operations of property leasing business amounted to HK$16,764,000, an increase of 0.6% as compared with 2006.

At the beginning of 2007, the Group acquired 5% interest in Shan Hai from the PRC shareholder. Shan Hai became a wholly-owned subsidiary of the Group after the acquisition. There will be more room for future development and operations for Shan Hai.

Foodstuffs Distribution and Trading

In 2007, turnover of the foodstuffs distribution and trading business amounted to HK$117,157,000, representing a marked increase of HK$30,299,000 or 34.9% as compared with 2006 in the absence of the impact of bird flu and the increase in provisional quotas for livestock distribution during the year. Profit from operations of foodstuffs distribution and trading in 2007 was HK$21,213,000, representing an increase of HK$4,565,000 or 27.4% as compared with 2006.

On 20 July 2007, the Hong Kong SAR Government announced its agreement with the Ministry of Commerce of the PRC to recognize Guangnan Hong Company Limited as the second distributor for importing live pigs from mainland China. The relevant business was successfully embarked upon in December 2007, becoming a new source of growth for our foodstuffs distribution and trading business.

Associates

In 2007, Yellow Dragon Food Industry Co., Limited ("Yellow Dragon"), a principal associate of the Group, recorded a sales volume of 394,417 tonnes of corn starch, its major products, representing a decrease of 2.2% as compared with 2006. Turnover of Yellow Dragon amounted to HK$1,283,351,000 or an increase of 14.2% and its profit attributable to shareholders amounted to HK$52,078,000 or an increase of HK$1,792,000 or 3.6%, as compared with 2006.

The Group has 40% interest in Yellow Dragon and received a total dividend payment of RMB16,793,000 (approximately HK$16,907,000) in 2007. It is expected that the Group will receive a total dividend payment of RMB18,654,000 (approximately HK$19,921,000) in 2008 in respect of the profit earned in 2007.

FINANCIAL POSITION

As at 31 December 2007, the Group's total assets and total liabilities amounted to HK$2,357,589,000 and HK$968,342,000, representing an increase of HK$817,980,000 and HK$539,644,000 respectively compared with the positions at the end of 2006. The net current assets decreased from HK$144,383,000 at the end of 2006 to HK$62,478,000 and the current ratio (current assets divided by current liabilities) decreased from 1.35 as at the end of 2006 to 1.07.

Liquidity and Financial Resources

As at 31 December 2007, the Group maintained cash and cash equivalent balances of HK$147,009,000, including pledged bank balance of HK$55,900,000. An amount of HK$92,904,000 was denominated in Renminbi and HK$8,331,000 was denominated in United States Dollars while the remaining balance was denominated in Hong Kong dollars. Cash and cash equivalent balances decreased by 6.8% from the end of the 2006.

As at 31 December 2007, the Group's borrowings comprise bank borrowings of HK$503,428,000 (31 December 2006: HK$81,557,000), of which HK$281,720,000 (31 December 2006: HK$nil) is unsecured, HK$168,988,000 (31 December 2006: HK$81,557,000) is secured by bills receivable and HK$52,720,000 (31 December 2006: HK$nil) is secured by bank deposits of HK$50,571,000 (31 December 2006: HK$nil), and a loan from immediate holding company of HK$21,216,000 (31 December 2006: HK$nil). 84.7% of the Group's borrowings (31 December 2006: 100%) is repayable within one year, and the remaining balance is repayable within three years. All the borrowings were subject to an annual interest rate of 2.10% to 6.72% (2006: 1.92% to 3.24%). 15.3% and 15.3% of the Group's borrowings was guaranteed by a subsidiary of the Group and by the minority shareholder of the Group's non-wholly owned subsidiary, respectively.

The Group's gearing ratio, calculated by dividing the net borrowings (being interest-bearing borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was 29.0% (31 December 2006: negative 7.1%). The increase was primarily due to the funding requirements for the development of the Group's tinplating business.

As at 31 December 2007, the Group's total available banking facilities amounted to HK$418,968,000, of which HK$347,724,000 was utilised banking facilities and HK$71,244,000 were unutilised. 19.1% of the Group's banking facilities was secured by the corporate guarantee provided by a subsidiary of the Group. The cash reserve and available facilities, as well as the steady cash flow from operations, were sufficient to meet the Group's debt obligations and business operations.

On 25 January 2008, the Group entered into a facility agreement (the "Loan Agreement") with Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited. Pursuant to the Loan Agreement, a secured loan facility in the amount of HK$480,000,000 for a term of 3 years was made available to the Group's drawdown. The loan is interest-bearing at floating rates to fund the general corporate financing requirements of the Group. The loan fully reflected the banks' confidence and recognition of the credit standing and prospects of the Group.

Capital Expenditure

The Group's capital expenditure in 2007 amounted to HK$415,375,000 (2006: $369,377,000), of which $391,974,000 were acquired by a subsidiary, Zhongyue Posco. The subsidiary is principally engaged in the production and sale of tinplate products, and commenced production in February 2008.

Pledge of Assets

As at 31 December 2007, certain of the Group's bank deposits and bills receivable with a total net book value of HK$224,888,000 (31 December 2006: HK$81,557,000) were pledged to secure general banking facilities granted to the Group.

Litigation

In 2004, a claim was filed against a subsidiary of the Group alleging that the subsidiary, as the third claimee, had not repaid its outstanding amount due to the defendant of such case. The legal dispute was heard in the Intermediate People's Court of Yue Yang City, Hunan which delivered a decision in favour of the Group in January 2005. On 29 December 2006, the defendant, who turned into the plaintiff, filed a new claim against the subsidiary to 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$5,761,000). In October 2007, the court denied the plaintiff's claim on the ground that the plaintiff's litigation representative was not qualified, and ruled that the subsidiary was not liable for any payment in respect of this claim.

Exchange Rate and Interest Rate Exposure

The majority of the Group's business operations is in the PRC and Hong Kong. During the year, the exchange rates of Hong Kong dollars and US dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the appreciation of Renminbi against US dollars, since majority of the Group's sales are settled in Renminbi, whereas the purchases are mainly made in Renminbi or US dollars, the Group does not have material exposure to foreign exchange.

The majority of the Group's borrowings bears interests at floating rates. The management pays attention to variations in interest rates. In respect of unforeseen fluctuations of exchange rates, the Group will adopt hedging instruments to hedge the exposure as and when necessary. As at 31 December 2007, there were forward foreign exchange contracts entered into by the Group to hedge certain foreign currencies loans which amounted to US$3,022,000 and JPY416,371,000 (equivalent to HK$52,720,000 in aggregate). Except these borrowings, other borrowings are denominated in the functional currency of the entity taking out the loans or, in United States dollars. In view of the anticipated appreciation of Renminbi against US dollars, management does not consider the currency risk to be significant.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group had a total of 1,042 full-time employees, an increase of 319 from the end of 2006. 47 of the employees were based in Hong Kong and 995 were in mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions, individual performance with reference to the prevailing industry practices. In 2007, the Group continued to implement control on the headcount, organization structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. 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 rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Group has also adopted a share option scheme to encourage excellent participants to keep up with their contribution to the Group.

DIVIDEND

The Directors resolved to make the payment of an interim dividend of HK 2.0 cents per share (2006 : HK 1.5 cents) and recommend the payment of a final dividend of HK 2.0 cents per share (2006 : HK 2.0 cents) for the year ended 31 December 2007. The proposed final dividend, if approved at the 2008 Annual General Meeting of the Company, is expected to be paid on 30 June 2008 to shareholders whose names appear on the register of members of the Company on 6 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 June 2008 to Friday, 6 June 2008, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the 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, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 pm on Tuesday, 3 June 2008.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited in the financial year ended 31 December 2007 except that certain non-executive directors are not appointed for specific terms but they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2007 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.gdguangnan.com) and Hong Kong Exchange and Clearing Limited (www.hkex.com.hk). The annual report of the Company for 2007 containing all the information required by 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, 16 April 2008

As at the date of this announcement, the Board is composed of four executive directors, namely Messrs. Liang Jiang, Li Li, Tan Yunbiao and Tsang Hon Nam, three non-executive directors, namely Messrs. Zhao Leili and Luo Fanyu 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.